Personnel management: Plans & Strategies

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Abstract: It is widely believed that the role of managers is becoming a key determinant for enterprises' competitiveness in today's knowledge economy era. Personnel Management or Human Resource Management (HRM) is a critically important issue within any organization's Management Framework. Personnel Management is a planned approach to managing people effectively for performance. It aims to establish a more open, flexible and caring management style so that personnel will be motivated, developed and managed in a way that they can and will give of their best to support departments' missions. (Bergenheegouwen, Ten Horn and Mooijman, 1996). Human Resource Management (HRM) or more specifically competence management is an important function of knowledge management because it reasons about an organization’s most important resource – the knowledge and skills of its staff. (Dittmann, L. 2003). Typically such functions as staffing, project staffing, human resources development and more are supported by competence management, i.e. the reasoning about availability and absence of required competencies both on the level of an organization as well as on the level of individual members of the organization.


Keywords: Personnel management, Human Resource Management, Plans & Strategies

Introduction

Brynjolfsson and Hitt find that firms that invested more heavily in HRM redesign and devoted more of their financial resources for increasing customer value (such as, quality, timeliness, convenience) had greater productivity and business performance. Brynjolfsson and Yang(1996). On the other hand, many organizations are not certain that they will realize positive returns. Even worse, many fail to see immediate benefits from moving to HRM or experience adverse effects, such as missed sales and profit targets (Rao, 2000). For instance, Hershey Foods contributed to $150 million in lost sales and analysts worried that Hershey's HRM-related problems could result in a 0.5 percent loss of United States market share (Davenport and Short, 2000). Other literature also reported serious business setbacks and delays due to HRM implementation troubles (Hayes D. C., Hunt and Reck, 2001). The possibility of implementation abandonment is a genuine concern as evidenced by Allied Waste and Waste Management. These adverse results are not unusual as many firms have announced negative results attributed to their HRM implementation. It is known that a time lag is necessary for capturing the performance improvements from information technology. The employees need time to co-invent through their own experimentation and discovery, to find ways for the new system to support their work. Since the enterprises will experience a delamita state after HRM implementation, a longer term analysis after HRM implementation is preferred(Poston and Grabski, 2001).

On the other hand, Poston et al. investigated the financial impacts of HRM planning implementations. They found no significant improvement for residual income, the ratio of selling and administrative expenses after 3 years HRM system implementation. Further, there was a significant reduction in the ratio of employees to revenues for each of the 3 years examined following the HRM implementation. Hitt et al analyze firms that have purchased licenses for the Sap R/3 system from which they confirm some important conjectures about the business value of HRM implementations. They compare the productivity and business performance of HRM on firms that adopted HRM with those that did not, and find that HRM adopters are consistently higher than non-adopters in performance across a wide variety of measures. Most of the gains occur during the implementation period, although they illustrated some evidence of a decline in business performance and productivity shortly after completion of the implementation. It has been consistently pointed out in the literature that decision making models based on probability theory are hard to deal with due to their complex stochastic structure, and it is difficult to justify them using deterministic model over long period of time. Another drawback of decision making models based on probability theory
is that these models are unable to capture features often exhibited by the various changing parameters in most decision making models because decision making models exhibit some level of arbitrariness, vagueness and fuzziness (Appadoo et al., 2008).

**Efficacy of Personnel Management**

The HRM is used to substitute traditional separate systems with an integrated suite of new business model, resulting in a compact flow of information through the enterprise. HRM provides the same functionalities of previous individual systems while allowing access to enterprise-wide information by employees throughout the entire company on a controlled basis. In recent years, human resource management (HRM) systems have been used by many companies due to expectations of lower operating costs, short cycle times, and higher customer satisfaction. HRM advocates claim that the positive benefits of HRM will contribute to firm’s increased financial performance and enhanced competitive situation. But after many enterprises noticed advantages and conducted HRM, they found many problems regarding its implementation. Moreover, huge capital charges, difficult implementation, long-term efforts, and slow effects may diminish the benefits of HRM implementation. It has been estimated that a significant number of the enterprises are not successful in helping the improvement of company finance after applied the HRM. The reason of failure of applying HRM comes from the time lag problem as well as the business cycle. In fact, ERP implementations may have lengthy project windows of 3 to 5 years contributing to higher costs. It is argued that a longer time horizon after implementation analysis is preferred(Escalle, Cotteleer, and Austin 1999). On the other hand, in the face of the important business projects, there are many companies perform the HRM are unable to examine its profitable improvement. The main reason is that it is not easy to set up an appropriate evaluation on HRM performance. Since accurately computing the HRM performance is still problematic, there are many features such as economic conditions changing, new political policy performing and transportation will influence the outcome. However, there are some approaches in detecting or testing procedures for HRM performance evaluation. Among them t-test or event study method for evaluating the performance of HRM are the mostly frequency used(Knorr 1999). These procedures, although easy to implement, have several disadvantages. The main reason for the decimal cost/benefit comparison comes from that measuring HRM benefits are not immediately evident, but implementation costs can be readily identified ex post (Hoffman , 1998). Moreover, the absence of an explicit statistical model for the structure changes makes it difficult to investigate statistical properties of the models and to make forecasts. In this article Personnel Management is presented.

**Significance of Personnel Management**

The costs associated with HRM implementations can be staggering. Implementation of HRM requires a substantial investment of time, money, and internal resources, and is fraught with technical and business risk. According to Harris and Katz, 1991, a typical HRM installation has a total cost of about $15 million, such as training, integration, testing, conversion, and consulting (Harris and Katz, 1991). The costs of HRM implementation can be as high as 2% to 3% of revenues. Installation takes between one and three years (21 months on average). HRM is expected to help improving administration and profitability of firms. Meanwhile HRM implementations do add value to a firm has been extensively debated in qualitative discussion or detailed case studies. There are few literatures or case reports about whether the benefits of HRM implementation exceed its costs or risks. The financial burden of implementing HRM can be staggering (Brynjolfsson and Hitt, 1993). While many studies (Bresnahan and Greenstein, 1996) found information technology associated with decreases in worker productivity, other evidence provides encouraging results of a productivity payoff. Though many firms’ managers argue that at the beginning stage the impacts such as enhanced customer satisfaction, expanded product configurations and improved competitive ability can not be distinguished in the short run, the potential benefits of HRM systems are enormous. In the long run they optimistically belief that the benefits of HRM implementation will turn out to be positive in the long run. (Vaughan, 1996).

**The Basis of Human Resource Management in neoclassical schema**

In neoclassical schema each producer is an employer (of workers in his establishment). He has the means to employ workers and thereby buy their performance. He is interested in the work performance and wants to maximize his benefit. On the other hand, there are people who want job (and possess the required labour power or skill). They too want the best of the deal, possibly the largest sum in reward of their work effort. Additionally, as the neoclassical economics assumes, the producers as well as the workers possess all the information required for reaching a decision. Regarding the demanders (the producers) and the suppliers (workers), the neoclassical schema suggests that they will reach an agreement on an equilibrium wage. This wage rate would be equal to the marginal revenue.
product (performance) of the worker on the producer’s side, and to the marginal rate of substitution between income and leisure time on the worker’s side. In this manner, the interaction between the two forces – the demand and the supply – determines wages as well as performance. There is hardly anything in this schema to bring in the need of human resource management (Nienhäuser, 2004).

The standard neo-classical schema is extremely idealized, so much so that it has no resemblance with the reality. Although the motives of employers and the (prospective) employees may not be very far away from the reality, other assumptions of the model are extremely unrealistic. To assume that the employers have every bit of information necessary to decision-making is questionable. The same is true with the assumption of omniscience of the (prospective) employees. Nor is it true that the employers or the prospective employees have unlimited choice with regard to one another. Furthermore, once the employer and the employee have reached the agreement, it might not always be true that each other’s expectations are realized. There are issues related with the moral hazard, asymmetry (of information, power and institutional support) and a host of other factors that mediate between expectation, capability and their realization. These issues call for human resource management.

Goals of personnel management

Goals are the main element of personnel management in any organization and the important thing for each department to develop its own goals in the way which best supports its particular mission, objectives and desired culture, and motivates personnel to give of their best. Well defined goals give personnel an instinctive feel for decisions expected from them and, therefore, reduce the amount of time spent consulting others before making a decision. The goals of the service as a whole should be built upon by departments to develop the particular culture a department is seeking. Personnel Management helps them to do so in a structure way, by linking functions such as performance management and training to departmental aims and goals. Personnel Management brings out the important goals of trust, care, teamwork, encouragement and development which help the Government meet the principle of being a good employer and thereby motivating personnel to give their best.

Major Nodes of Decision Making for personnel (Human Resource) Management

Human resource management in a typical organisation comprises the following processes that may be considered as the major nodes of decision making and choosing one of the (many permissible) paths to proceed. These are:

Workforce planning: It is mainly concerned with the visualization of different activities, processes and their interlinkages in the organization and need for persons, with requisite skill, to perform those activities. The quality as well as the number of persons required for various activities is to be determined.

Recruitment: The next step is to recruit the workforce. It has two major processes under it. The first relates to ‘attraction’ and the second to ‘selection’. Attraction needs a planned strategy to draw the attention of qualified persons to the organization. Sometimes this is done by advertisement but at others the organization has to personally contact the prospective employees. To strike at the correct strategy to attract right type of persons is considerably complex. A wrong strategy might be either ineffective or leading to problems in future. Likewise, the selection of right type of workforce is very involved. No foolproof method exists to guarantee that the selection made by any process is best suited to the interests of the organization.

Induction and Orientation: As it has been noted earlier, no educational institution can turn out pupils cut and dried to the specific needs of any particular organization. Education is always ‘general’. Once a person has been selected to join the workforce of an organization, he/she has to be inducted and oriented to the specific job. He/she has also to be made aware of the major objectives of the organization and the environment in which he/she has to work. It has been observed that at times the managers ‘over-manage’ and in showing loyalty to the organization tend to over-describe. At other times, managers fail to induct and orient the new recruits to their job, leaving them to discover their roles by themselves. Over-description as well as underdescription tends to give a wrong orientation to the new recruits.

Skills management: It refers to making a matrix of skill or competencies of different levels required in performing different jobs on the one hand and the assessment as well as stocktaking of skills of different employees on the other. Their matching often discloses the gaps between the required and the available skill, which may suggest additional recruitment or need of training and development of the (existing) employees. It may be noted that skills management is an ongoing process in view of the changing internal (within the organisation) as well as external environment.

Training and development: Training and development may be needed first to bridge the current gap between the required skill for performing
a job and that available with the workforce, and the second in view of the future requirements of the organization. It is a commonplace that of late the rate of changes in technology has been very fast. The span of service life of an employee is always far too larger than the span for which a particular technology is in mode. As a result, the employees must be trained and retrained to fit to the technology. Training may be in-house; it may be given by those organizations that supply new technology or even by a third party. It may be noted, however, that all employees are not equally amenable to appreciate the value of training. Nor all of them are equally responsive to training or interested in learning. The management has to take necessary measures to induce the employees to be more receptive to learning. The management also has to look into the quality of training imparted by the trainers whether individuals or organizations.

**Time management:** It refers to identification, listing, sorting and prioritizing the tasks to be done and allocating time on them. The management should train its employees to manage their time when at work or at home (since performance of a person at either place impinges on the performance at the other place). Although an exercise in time management itself may take some time, but ultimately it increases efficiency. There are many methods of prioritization of tasks, among which the ABC method, the POSEC (prioritize, organize, streamline, economize and contribute) method and Eisenhower method are notable. The Eisenhower method uses importance and urgency as the two coordinates making four categories of tasks. The less urgent and less important tasks are the last in priority while the most urgent and most important tasks are the first to attend. It is advisable to use a ‘secondary memory’ device (such as written task list or a computer note pad/diary) than the ‘primary memory’, i.e. keeping the list and the priorities in mind, which is easy to forget or get confused. As computers are easily available now, one may use software that have built-in task hierarchy schedulers and support numerous chores of ordering and listing of tasks with their details. The management should also keep information on how the employees have planned the use of their time in performing the tasks and rationalize them where needed. The culture of time management has to inculcated and promoted among the employees.

**Travel management:** It refers to rationalization of movement of the employees from their residence to the workplace and their return back home as well as their movement elsewhere for performing certain sort of tasks related to the organization. It may encompass residential planning, including availability of amenities and facilities, for the employees as well. A properly done travel management may increase the efficiency of employees manifold.

**Management of payroll, compensation in wage/salary and benefits administration**

Various methods may be adopted to pay salary/wages to the employees that save their time on the one hand and the cost/time of the organization in disbursement. For example, instead of paying them in cash on a fixed day every month (which may make long queues and kills the entire day), payments may be made to employees’ savings accounts. Charges for certain types of benefits given to the employees may be deducted from their salaries directly. Employees’ benefits encompass all non-wage or non-salary benefits given to them partly to increase their economic security and partly to induce them to be more effective and loyal to the organization. These benefits include perks, housing, conveyance, group insurance, health care, day care, children’s tuition fee reimbursement, funding of education, various types of leave, vacation, travel allowances, subsidized lunch during the work hours, voluntary retirement schemes, retirement benefits, etc. All these benefits increase the cost on the part of the organization, but if properly planned and administered, they may also increase the returns from the employees manifold. On the other hand, a faulty planning and execution of these benefits may result into employees’ dissatisfaction and a consistent resistance from the employees’ unions, often leading to loss of workdays and degeneration of the relationship between the employees and the organization/management.

**Performance appraisal:** It refers to the regular assessment and review of the performance of employees in terms of quantity, quality, cost and time. Its objectives are to (i) give feedback to employees as to their performance so as to make them aware of their contribution, (ii) identify employee for training and skill augmentation, (iii) document criteria used to allocate organizational rewards, (iv) form a basis for promotions, disciplinary actions, special raises in personal salaries, etc. (v) provide the opportunity for organizational diagnosis and development, (vi) facilitate communication between employee and management, and (vii) validate selection techniques and human resource policies to meet certain norms. In many cases, the performance appraisal is done through the ‘upward feedback system’ in which the managers get a feedback through reports or they review the performance of the employees directly. However, the ‘360-degree feedback system’ also is very often used for performance appraisal. This method relies on the feedback received from different internal sources such as subordinates, peers and managers, selfassessment of the employees, as well
as external sources such as customers and suppliers or other stakeholders. The 360-degree feedback system often works better than the simple upward feedback system. Drucker (1954) suggested that management by objectives (MBO) is often very successful in understanding objectives of the organization and enhancing the performance. Management by objectives is a process in which the management and the employees discuss and reach at a consensus on the objectives of the organization, the degree of success in meeting them, obstacles to meet them and the ways and means to meet them better. We have mentioned before how and why the objectives of an organization become clearer to the employees only gradually. The MBO method is only a process to that end. It introduces the criteria of specificity, measurability, achievability, reality and time-specificity in the objectives and thereby promotes performance of employees (incuding management). For a healthy functioning of the organization it is required to develop the management information system to help monitor the ‘reach ratio’ ( a ratio of achievement to target).

**Responsibilities of Personnel Management systems**

Personnel Management systems are related to three responsibilities such as Internal Service Branch, policy branches, departments, managers and individual internal servants.

**Internal Service Branch** determines and communicates overall Personnel management policies and advises departments on the implementation of these policies.

**Policy branches and departments** are responsible for implementing central Personnel Management policy and developing the HRM plans to meet their own needs.

**Managers and individual internal servants** have personal responsibility for putting policy into practice.

**Internal Service Branch**

The Internal Service Branch sets the strategic direction according to which internal servants are managed, and performs a number of central functions. To do so it:

**Strategic Role of Personnel Management systems**

- plans, develops and promotes policies, standards and good practices in the management of internal servants; and
- executes and implements these policies through discussions, explanations, guidelines, regulations and circulars.

**Conclusion**

Personnel selection is one of the chief phases of human resources management process. Basic function of personnel selection operations is determining, among the candidates applying for specific jobs in the company, the ones having the necessary knowledge, skill, and ability in order to be able to perform the requirements of the job successfully (Kaynak, 2002). Impartiality in personnel selection depends on fulfillment of two conditions, first of which is the necessity of specifying the criteria that can properly value the qualities of the personnel needed. At this stage, the factors which are qualified to become the criteria are established. Second condition is to assess and evaluate the knowledge, skills, and abilities of an applicant in the frame of the criteria established.

In literature, techniques applied in personnel selection, assessment and evaluation are written (Arvey and Campion, 1982). Although evaluating applicants with written and oral exams is essential for the company when employing the personnel needed, it is not sufficient alone. In personnel selection, first of all, criteria (factors) that are to be the basis of assessment and evaluation must be specified; also the weights of these criteria must be determined. For each criterion has a different importance, or weight in personnel assessment and evaluation. Therefore, unsatisfactory selections may occur with assessment and evaluation tools, such as written or oral exams and tests which are not based upon certain criteria and weights. In literature, there exist numerous studies conducted with the aim of performing personnel selection within the boundaries of objective criteria. Gargano et al. (1991) combined genetic algorithm and artificial neural networks for the purpose of selecting the personnel to be employed in finance sector. Some fundamental criteria were personality, social responsibility, education level, economics knowledge, finance knowledge, and experience factors. On the other hand, Miller and Feinizig (1993) suggested the fuzzy sets theory for the personnel selection problem. Liang and Wang (1994) developed an algorithm which also uses the fuzzy sets theory. In this algorithm, subjective criteria, such as personality, leadership, and past experience, along with some objective criteria, such as general aptitude, and comprehension were made use of. Karsak (2001) modeled personnel selection process by using fuzzy multiple criteria programming and evaluated qualitative and quantitative factors together via membership functions in this model. Capaldo and Zollo (2001) built up a model to improve the effectiveness of personnel selection processes in major Italian companies. First step of the study developed decision formulations and decision samples to be used on the basis of the evaluation method adopted by the companies. Second step was to build an evaluation method by utilizing fuzzy logic. Personnel selection factors taken into consideration were classified in three groups, each
one of which being professional skills, managerial skills, and personal characteristics. Multi-criteria analyses are other personnel selection methods reported in literature (Bohane et al. 1992; Timmermans and Vlek 1992, 1996; Gardiner and Armstrong-Wright 2000; Spyridakos et al. 2001; Jessop 2004). These methods can be effectively employed while evaluating a multitude of factors together in the solution of especially large and complicated problems. Roth and Babko (1997) reviewed some of the issues surrounding the use of multi-attribute methods in human resources management. Hooper et al. (1998), however, developed an expert system named BOARDEX. American army has used this system to employ its personnel. Personnel selection factors, such as grade, military education level, civilian education level, height, weight, and assignment history are incorporated in this expert system. Some conclusions have been drawn, after examining the studies in literature relating to personnel selection. First of the inferences is that, objectivity in personnel selection decisions is striven to be attained via the studies performed. A second common feature observed is that, not only are there similar selection criteria (factors) in developed or suggested personnel selection models, but various criteria are also used. Another shared characteristic observed in existing studies is, possible interdependencies between the factors included in the personnel selection model being neglected. It is not possible to assume that each criterion to be incorporated in personnel selection model is independent. Any factor in the model could be related to, or dependent on another. Thus, weights of the factors alone in the personnel selection model are important; besides, weights that are to be determined as a result of mutual interactions of the factors are also substantial. In personnel selection model, evaluating the interdependencies between factors should contribute to the objectivity of decisions.

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