

A Theoretical and Practical Framework for Evaluating Human Resources Effectiveness

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Abstract

When the HR job is considered in terms of its any constituents, it becomes noticeable that in every organization there are many different interacting groups that HR managers must gratify, or who have rights or a stake in what HR does. Furthermore, each comes with different and sometimes conflicting needs. It costs money and time. The most organizations try to economize with maximal effect. A way how to eliminate or reduce unnecessary expenses is making internal processes more efficient. The most expensive even the most productive factor is labor force. This paper deals with evaluating of human resource effectiveness like potential source of competitive advantage.

Keywords: Partial-system method, personnel controlling, evaluation of human-resource effectiveness.

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INTRODUCTION

Perspectives on HRM effectiveness

Recently, there has been renewed interest in the groups, stakeholders, or constituents which affect organizations and the decision-making processes within them. At the same time, the concern of the quality movement for meeting the needs of the internal and external “customers” of organizations has also focused attention on the legitimate needs and expectations of groups, both within and exterior to organizations’ boundaries. Work in areas as diverse as the computer industry (Molina, 1993), local government agencies (Backoff *et al.*, 1993), health services (Ehreth, 1993), technology transfer (Seaton and Cordey-Hayes, 1993) and associations (Forbes and Butterfield, 1993) suggests the potential range of concern for these issues. Moreover, states are experimenting with so-called

“constituency statutes” which permit corporate boards of directors to consider the interests of constituencies other than the shareholders in the decision-making process (Hansen, 1991; Mitchell, 1992).

Different perspectives on increasing the effectiveness of human resource management (HRM) as a contributor to organizational success are evident in business and management research (Poole and Glenville, 1996). Effectiveness is often defined as identifying and doing the right things. Much of conventional and orthodox HRM systems and practices have been critically reviewed as yesterday’s solutions to yesterday’s problems, leading organizations in general, and HR staff in particular, to be implicated in not doing the right things, even if they are doing them efficiently. The concern with effectiveness comes with the demands placed upon HRM in an ever-changing business and

management context, with greater competitive pressures and searches for efficiency in the public sector.

There is graduating tension to maximize economies even effects in each organization nowadays. Desired characteristics of any planned or projected activities are purposefulness, rationality, logicity, system thinking, it means effectiveness.

Effectiveness of company transformation process might be observed at inputs (optimal utilization of sources: material, energy, human resources, means for work), at a level of transformation process (quality of intradepartmental processes) and at outputs (production quantity, product utility value, range of goods, supply timing).

Factors influencing effectiveness-increase are those, which cause performance growth and cost decreasing.

Performance-raising factors (Kupkovič, M., 1987):

- Capacity utilization improvement by production profile invariable (efficiency increase of capital funds and labor productivity, even better manufacture organizing and supplier-customer-relationship),
- Production capacity extension by new industrial goods involvement and human resources,
- Innovations,
- New and higher-class articles in production and consumption, Concentration, cooperation, industrial specialization,
- Education and development of human resources,
- Technology enhancement
- Exploitation of information systems (Kucharova, 2007)

Human resources, as a managerial also a directed unit, are an important element of company

effectiveness raising. High-effective system of human resources provides to managers (Strenitzerova, M., 2007):

- Information for better-making decisions of company managerial unit,
- Another possibilities of view by decision-making in planning process,
- Higher measure of certainty in human resource decision-making,
- Cost saving in human-resource management, even in all company.

That context is itself evolving. It began with the shift from viewing people management as being marginal to being strategic (Walton and Lawrence, 1985; Beer *et al.*, 1985), into the era of the quality movement (Wilkinson and Marchington, 1995), through the crucible of “business process re-engineering” (Hammer and Champy, 1993) and is currently about a contemporary environment where “knowledge management” (Leonard-Barton, 1995; Davenport and Prusak, 1998) and “digital” and “virtual” organization (Tapscott, 1996) represent the key frontiers being researched.

Combining the dual effects of different perspectives and an evolving context a wide range of apparently disparate studies falls under the umbrella of analysing HRM effectiveness. One way of structuring and organizing these studies is to suggest that there are two dimensions that underpin most existing studies. One dimension is considering the extent to which a concern with HRM effectiveness involves an internal, organizational orientation or an external, general standards orientation. The other dimension is concerned with the extent to which the value of either an objective or a subjective framework for operationalizing HRM effectiveness is adopted. Figure 1 illustrates the different perspectives demarcated by this structural segmentation of research.

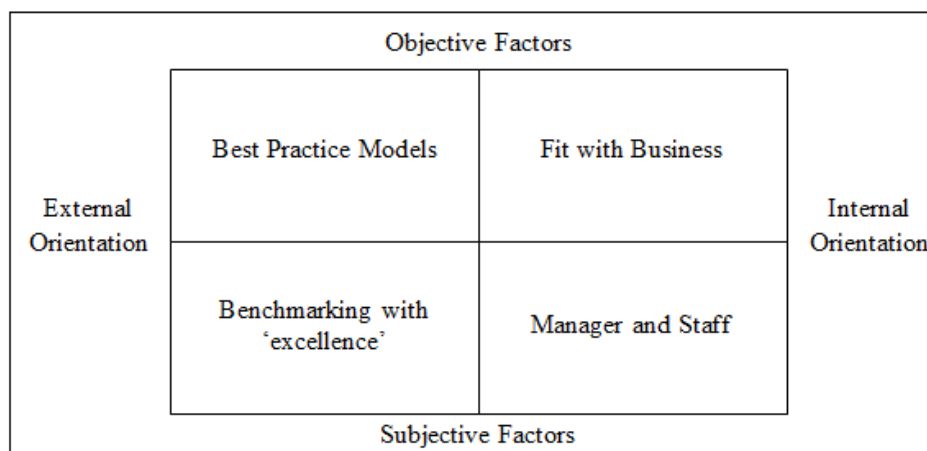


Figure 1: A map of perspectives on evaluating HRM effectiveness

One stream of studies is concerned with an internal and objective orientation; in essence where effectiveness is about the internal “fit” of HR activities with business objectives and needs. Studies are then concerned with the vertical and horizontal integration of HRM, of the fit between HR policy and practice with “strategy”. In this domain lie some of the origins of the concern with strategic HRM. Another perspective on HRM effectiveness is to be found as an external and objective orientation, in essence about adopting a standard set of “best practices”. The impact of legislation and guidelines in matters as diverse as health and safety regulation and equal opportunities through to the adoption and use of models such as investors in people (IiP) would represent examples of this perspective on HRM effectiveness.

In the “objective” domain research takes the form, essentially, of an “audit cycle” of activity. In an audit cycle clear objectives are identified, an assessment of existing affairs is undertaken, which informs a diagnosis of the situation that leads to plans of action. Enactment of interventions is then followed by an evaluation of the measurable achievement of the objectives. The greater concern among HR practitioners with the development of measurement and calculation, with what has been called the “human equation” (Pfeffer, 1998) and research that claims to illustrate the profitability of good people management (West and Patterson, 1998) embody this perspective. The value of this approach in a context where management accountancy provides the main overview of the business and management context (Armstrong, 1995) is self-evident.

A third option involves an external and subjective orientation, i.e. benchmarking with perceived “leader” organizations, whose business and/or HRM practices are deemed to be superior. This is an external orientation that more typically involves subjective evaluations; based on value judgments about the types of companies/HRM practices that should be deemed successful and copied. The extensive generation and analysis of case studies in the popular and academic literature, as well as the active benchmarking undertaken privately by companies, provides many apt illustrations of the ubiquity of such forms of benchmarking. The extent to which “public” versions, or even thoroughly researched versions, of leading edge companies provide the breadth and depth of knowledge needed for others to learn from them remains a big question.

The finally option is to be found in the possibility of a subjective and internal orientation on HRM effectiveness involving obtaining and analyzing the views of managers and employees, as “customers” or end-users of HRM, within the organization (Smilansky, 1997; Laabs, 1998).

This is the most neglected domain, certainly in terms of publicly available knowledge, though as a potential factor in increasing people management effectiveness there is a continuing concern with the evolution and perception of the roles of HR staff (Eisenstat, 1996). Many organizations do conduct employee attitude surveys, but the results of these are not often made public. The value of exploring this domain further in more depth has recently been highlighted by several commentators (Hiltrop, 1996; Torrington and Hall, 1997; Baruch, 1997; Mabey *et al.*, 1998).

Scientific Trends of Human-Resource Effectiveness Evaluating

This topic has not been properly investigated in science yet. The partial-system method (see figure 2) how to raise effectiveness of all human resource system contains these four areas (Blaskova, M., 2003):

- Effectiveness of human-resource processes (planning, profiling potential and stabilized employees, recruitment and individual job search, employee selection, employee separations, work force reduction, and retention, internal staffing, motivating, training, development and orientation),
- Effectiveness of individual job performance,
- Effectiveness of human-resource department,
- Effectiveness of human-resource system at all.

This process is planned on saving indicators and qualitative indicators of investigated partial spheres. Values of the all anticipated indicators must be associated with managerial planning (planning of finance, economy, production, logistic, marketing, quality, research ...). All the aspects have to harmonize with organizational vision, mission, strategic goals, philosophy and culture.

The basic index of efficiency is known as labor productivity. The productivity ratio indicates intensive exploitation of labor. It is important to set for analysis making (Kravcakova, G., 2006):

- Indices and the unit of production volume,
- Term determination (year, month, day, hour),
- Number and category of employees, which productivity is detected.

$$\text{Productivity} = \frac{\text{Surplus value of production}}{\text{Labor force}}$$

$$\text{Productivity} = \frac{\text{Revenues} - \text{Costs to stock, material, services}}{\text{Labor Force [average number or hours worked]}}$$

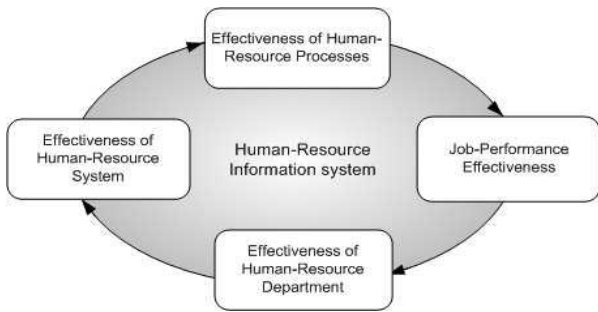


Figure 2: Human-resource effectiveness observation by partial areas (Blaskova, M., 2003)

The productivity growth must be stronger than labor-costs growth (wages + social benefits) for healthy advancement of an organization.

The Problem of HR Staff Image

The issue of the “image” of HR staff then seems to be the opposite of that normally cited. The norm has been to assume to be a poor perception or image of HR staff, and the focus then shifts to considering how to improve this problem of image, for example, by exposing HR staff to more “customer” and end-user evaluations. The survey results suggest that the image of HR staff is not poor, and that in fact there is a disassociation between evaluations of them and evaluations of HRM effectiveness.

This lack of a perceived co-relation between the qualities of HR staff and the standards of HRM effectiveness raises a number of issues about the dynamics of the internal-subjective perspective on evaluating HRM effectiveness. Put simply, it would be possible to find an internal-subjective positive evaluation of HR staff, but it would be mistaken to derive from that an accurate evaluation of overall HRM effectiveness. It would also suggest that developing systems which resulted in greater “customer satisfaction” with HR staff would not necessarily lead to improved HRM effectiveness overall.

This disassociation between subjective evaluations of HR staff and overall standards of HRM effectiveness would suggest that other perspectives on HRM effectiveness may be much more valid and reliable. Yet the conclusion that an organization can and should ignore internal-subjective evaluations, and the disassociation between what managers and employees have to say about their HR staff and what they have to say about overall HRM effectiveness runs counter to intuitive ideas about causality and accountability. These would suggest that there ought to be a correlation between evaluations of HRM staff effectiveness and overall HRM effectiveness – good HR staff produce good HRM, and bad HRM results in HR staff being evaluated negatively.

Rather than being a neglected domain of research concern with the internal-subjective evaluation

of HRM, effectiveness can be seen as a misleading distraction from the real business of improving HRM. To analyze the extent to which such a conclusion is warranted, clearly running against the grain of much current thinking, requires recourse to the use of theory to explain the nature of the disassociation found in internal-subjective evaluations of HRM and HR staff effectiveness. One way of doing this is to consider the dynamics of internal-subjective evaluations of effectiveness as a field in which “stereotyping” is present. The beliefs that people hold about group types may be the connection explaining the disassociation found here. Indeed concerns with the image of and stereotyping of HRM staff, explicitly or implicitly, go back a long way in HRM research (Watson, 1977; Buckingham and Elliot, 1993; Tyson and Fell, 1986).

EVALUATING OF HUMAN-RESOURCE EFFECTIVENESS

Evaluating effectiveness of human resources is complex and long-time work, but it is a way how to dynamize human resource management and cost savings – personnel costs, even costs of other organizational units too.

The process of evaluating human-resource-effectiveness (Figure 3) is composed form five steps:

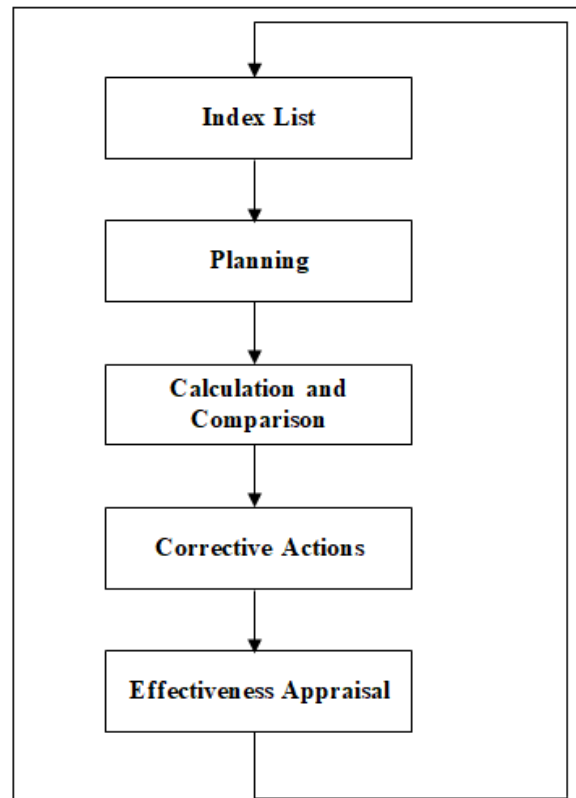


Figure 3: Evaluating of Human Resource Effectiveness

1. Index List

The first step of effectiveness evaluating process is design and creation of index list. The list

should contain quantitative and qualitative indexes segmented by partial-system method or personnel-controlling method, or blend of both methods, maybe supplemented some specific index depending on a specific character of a company.

A complicated part of list making is an index analysis – their calculation, significance, variables, relation with other personnel even aggregate indexes, measure of internal and external factor influence. It is important to survey human-resource information system for suitable data selection, too.

2. Index Planning

In second step, indicator selection from the index list, management chooses the most important indexes, so that information from selected indexes covers the effectiveness of human-resource system by partial areas and as a unit. If human resources data required for index quantification are missing, this is an impulse to top up human-resource information system.

Index planning means to determinate projected values of indexes in time. Appraised values might be set by time-series trend, by benchmarking with similar organization (in branch) or by company and human-resource targets.

3. Calculation and Comparison

Some selected indexes are quantified in information system, some of them should easy calculate, and some others are qualifiable by expertise, opinions of managers, personnel specialists and employees.

Calculating quantitative indexes as indicators should be first step, if human-resource system is balanced. These are compared with the plan, even in time-series and the suitable ones by benchmarking. Acquired deviation is reevaluated in respect of notable factor changes. Regardless of undesirable deviation of quantitative indexes, qualitative analyses should be started.

This is the right point to value the effectiveness of processes, reveal deficiencies and reserves of system and to search reasons of proved deficiencies and possibilities of reserve increase.

4. Corrective Actions

Management specialists suggest corrective measures - methods, ways and variants to remove unwanted effects and to improve weaknesses in human-resource system. Variants should be evaluated by the efficiency and efficacy criteria and possible future organization consequences. This step is close with managerial planning because planned changes of other departments influence human-resource system. All aspects for implementation of the best variant must

coordinate with the mission, the vision, the strategies, the philosophy and the culture.

The time length of variant implementation and the continuous watch occurring of notable factor changes in this term are inevitable. Flexible reactions to incoming changes and making plan alteration should be realized according to actual situation.

5. Effectiveness Appraisal

In final step, manager needs to review whole process, search of mistakes in evaluating of human-resource effectiveness. Step-by-step-backward answer to questions like:

- Has the wished change been reached?
- Have all important changes in the time of realization been regarded?
- Have the right decisions and the right flexible reaction been made?
- Has really the best variant been chosen?
- Have our reserves and the causes of ineffectiveness been right assigned?
- Have the indexes been right calculated?
- Have right indexes been chosen?
- What information is suitable to refill into information system?
- Etc.

Improvement of qualitative indexes and conditions should cause getting quantitative indexes the better. Effectiveness appraisal is superior starting point for next evaluating human resource process maybe with a new index list detected by effectiveness appraisal.

CONCLUSION

Modern companies, which are interested in increase of human-resource effectiveness, use to hire services of personal-advice organization. These organizations have their own system to applied personnel audit or personnel controlling.

The question of human-resource effectiveness is not pleasingly analyzed in science public. There are described two methods in literature only: the partial-system method concerned with cost, revenues and quality of human-resource system and the method of personnel controlling. These methods create source for further development of human-resource-effectiveness-evaluating theory and creation of a model for execution in organizations.

To suggest that there should be more consciousness of the actual nature and influence of subjective perceptions of HRM effectiveness overall and of HR staff themselves is not to displace "objective" criteria for evaluating HRM effectiveness; it is to complement and add to it. The conclusion here is that stereotyping may be inevitable, and cannot be avoided. But a "new" breed of HR staff led by atypical

heroes/heroines, groomed in newly designed courses is neither necessary nor desirable to help improve the effectiveness of human resource management. What would be of value is to have "typical" HR staff, with their typical backgrounds and typical strengths/weaknesses, maintaining close relations with their "customers", giving up some of the reflected glory of old stereotypes and subjecting themselves to more open accountability for the evaluation of HRM effectiveness overall.

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