

# Three main hr functional areas or activities



In view of the above background, assuming you have just been recently appointed as the HR Director of the British Gas, critically examine three main HRM functional areas or activities in the organization.

The concept of HRM is often defined as a strategic approach to the management of an organisation's most valuable assets-the people working there who individually and collectively contribute to the achievement of its objectives for sustainable competitive advantage. Any organisations strategic business objective only can be achieved by its most efficient and effective human capital. So, investment in human capital in any organisation is highly regarded and should be managed as a people centered approach.

Highly credible, high-status, expert and business focused HRD presence is needed in British Gas then only there will be real opportunity for HRD's strategic potential to meet the organisation's objective. Basically, there are five HRM functional areas such as recruitment and selection, human resource development, compensation and benefits, health and safety, employee and labour relations. In the context of British Gas and as the HR director of the company which is UK's leading energy supplier with high brand value and equity should analyse the following three main HRM functional areas and activities:

**Recruitment and Selection:** The aim of recruitment and selection is to obtain at minimum cost, the number and quality of employees needed, by the company to satisfy the business objectives. Employees are valuable asset of organisation which cost money to recruit, induct, train, use and release. So, every organisation should have the appropriate number of employees with

certain skills and capabilities to meet the job specifications and organisational objectives. Staffing includes the job analysis, Selection, recruitment and induction. In the case of British gas, it requires the people from every strata of society to make it inclusive so that it can deliver its products and services effectively in highly diversified population of UK. It has rigorous selection process via initial screening, interview, presentation and on the job training which ensures the best candidate to better service delivery and customer satisfaction.

**Human Resource Development:** Human resource development includes employee training and development, career planning and career development, organisational development and performance appraisal as well as reward system. Human resource development is crucial and major task in human resource management. British Gas workforce is highly inclusive, multilingual, and multicultural so they must have certain people skills e. g. negotiation, courteous, customer focused and readiness to travel in short notice. Being a technology driven industry it requires the trained engineers for service delivery so training and development to the workforce is highly mandatory. To retain the talented staff and to reduce the staff turnover, it has to ensure the career progression, better reward system e. g. financial and non-financial rewards by performance appraisal which in turn contributes to overall organisational development.

**Health and Safety:** Health and safety issues are highly important in human resource management because of the reason it deals with human being both employees and customer. Working environment should be compliance with health and safety regulatory bodies. In the case of British gas, it must ensure

that its engineers are well known about the health and safety issues and best industries practises as in this industry critically demands the close monitoring of these issues as set by UK and EU regulations.

### **What are the objectives of the each of these activities and how effective is the HRM approach of the Company in the realization of these objectives?**

Objective of any organisation should be specific, measurable, attainable, realistic and with in time frame which is popular as SMART objective. In the case study scenario, British Gas has certain objectives on each of following activities.

Objectives of recruitment and selection: The main objective of recruitment and selection is to determine and select the right number of people with right skill and attitude in right place on right time at minimum cost as possible (Armstrong 2008).

Achievement of objective: British Gas prepares the demand and sales forecasting for the upcoming years to make sure they have the right number of people with right skills and attitude. That will prevent from the manpower shortage and redundancy in future. It has inclusive and diversified workforce to cater the needs of its customer by recruiting people from different culture, nationalities and different background. They have set the certain minimum criteria to be selected for apprenticeship program such as full or provisional driving license, certain age limit i. e. minimum 17 years, GCSEs (Minimum of four C or above) or equivalent to NVQs with certain people skills (The times100, 2010).

They advertise their vacancies in different sorts of media i. e. Print and broadcasting. It ensures they have reached to their targeted audience and it would be easy to select the people they need. For the initial screening they use online application required to fill the questionnaire which is basically related with applicants' attitude towards job and people. Later on, based on their response to questionnaire they select the people for interview, case presentation; role play is conducted to assess their interpersonal skills and attitude in their assessment centre (The times100, 2010). By rigorous selection process, they ensure that they have selected the right candidates and give the feedback for all the participants who were unsuccessful on that time.

Objectives of Human Resource Development: Objectives of HRD are as follows:

Training and development for existing and new staff to maximize their potential for the better performance of the job.

Career planning and development opportunities for the employee to attract and retain the talented human capital.

Performance appraisal and reward system for better job satisfaction, financial and non-financial awards and recognition.

Achievement of objectives: Once they have selected the candidates either for apprenticeship or graduate scheme they offers training programs delivered in its training centre to equip employee with latest technological knowledge such as computer-aided diagnostic technology, smart meters and

smart grids. It has dedicated training centre called British Gas academy to train the gas engineer through out the career to provide the best possible services to the customer. It has e-learning program to keep up-to-date about the industry development and it uses the radio technology to update and communicate its employee (the times100, 2010).

They select the candidates both internally and externally for management position. If they see the capabilities in their existing workforce for management position then they prefer the internal growth, inter division transfer and promotion. Sunday times has awarded British Gas as " 25 Best big companies to work for", HR Excellence awards 2010, Women in Science and Engineering (WISE) awards, Local Employment Partnership Awards and they are also accredited as investors in people which is self explanatory of great place of work that ensures the better future and well being of employee (British gas, 2010).

They have comprehensive reward packages including monetary and non-monetary rewards like contributory pension scheme, The British Gas award, and lucrative basic salary with incentive scheme.

**Objectives of Health and Safety:** The main objective of health and safety is to avoid, minimise and mitigate the work related hazard ensuring the compliance with health and safety regulations directed by the governing bodies.

**Achievement of objectives:** According to the Centrica annual report (2009), being the energy industry there is probability of hazards during onshore and offshore operations. So its vision to put safety, health and wellbeing at the

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heart to avoid, minimise and mitigate the health and safety related issues. Being a responsible corporate citizen, it ensures the environmental and ecological issues are correctly handled by trained professional board which also monitors health and safety issues.

**Premised on your understanding of HRM models, discuss the significance of TWO HRM models you know as it relates to HRM Practices and Policies of the British Gas. How applicable are they?**

There are different discourse regarding the HRM models and they are classified in different ways e. g. normative and prescriptive; hard and soft models. First HRM concept is coined by Michigan School (Fomburn, Tichy and Devanna, 1984) and they emphasize that HRM systems and organisational structure should match with organisational strategy hence it is popular as matching model or hard HRM. They proposed the human resource cycle that starts with selection followed by appraisal, rewards and development (Armstrong 2008). This model advocates that employees are subject of strategic control like other material and they should be kept as low price as possible and can be developed and exploited as much as possible though it talks little about the motivation and reward systems also (Pinnington & Edwards 2000).

We will discuss the two HRM models which are significant and applicable for British Gas.

Harvard Model: Harvard model is developed by Beer and his colleague from Harvard Business School in 1984. It recognises the employee as human resources; they have their own interests and needs like other stakeholders,

so they should be managed differently than other resources of the organisation (Price 2007). They emphasises on participative decision making, team building by focusing on human aspects of human resource management. Harvard model has four HR policy areas i. e. Human resource flows, reward systems, employee influence and work systems which results in commitment, congruence, competence and cost effectiveness that will contribute to individual and societal wellbeing and organisational effectiveness. That is further explained in Harvard framework for human resource management (Price 2007).

Guest Model of HRM: Models of HRM are primarily developed in North America and spread in other countries with lots of contradiction so necessary changes are adopted. Guest model of HRM is developed by David Guest (1989, 1997) as UK model which details about the six dimensions of HRM. They are HRM strategy, HRM practices, HRM outcomes, behaviour outcomes, performance outcomes and financial outcomes (Price 2007). This model incorporates the behaviour and commitment of employee to the goal of strategic management and this model is liberal towards the trade union related activities (Price 2007).

Significance and applicability of these models in British Gas: Harvard model and Guest model is widely followed by British Gas. They have excellent workforce planning, successful recruitment and selection techniques, dedicated centre (British gas academy) for employee training and development and they entertain third party involvement for any dispute matters regarding the employment. They have clear roadmap and guideline for HRM police, strategy, practices, and outcomes. They value their

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employee as integral part of the organisation; and the success of British Gas is mostly dependent with their committed workforce. They have better performance appraisal and reward system which motivates its employee in result they are able to be the market leader with significant growth (Centrica annual report 2009). These two models are largely applicable to British gas to some extent.

## **Task 2**

### **Examine THREE HR planning and development methods adopted in the British Gas to acquire and utilize employees in an economically most useful position.**

Human resource planning and development is the ongoing process by which management opt to keep the optimum number of people with certain skills and capabilities required for organisation to achieve organisational objective and effectiveness. In the British gas they are adopting the following methods:

Human resource planning activities: Human resource planning activities includes scenario planning to analyse the environmental factor; demand forecasting to analyse future needs of people; supply forecasting to estimate the supply of manpower; productivity and cost analysis to calculate the cost and analyse the productivity; action planning to deal with surplus or deficit of man power; budgeting and control to set the human resource budgets and standards. British gas managers are responsible for planning activities as mentioned above and they do it for one year in advance and general estimates for upcoming two years.

Recruitment and selection: British gas needs the people with certain skills and capabilities for that they adopt the following process:

Define requirements: They require the people with full or provisional driving license, with certain age limit i. e. minimum 17 years, with minimum entry qualification GCSEs (Minimum of four C or above) or equivalent to NVQs with certain people skills e. g. politeness, courteous, proactive and customer service oriented.

Advertising approaches: To advertise its opening they use print and broadcast media. For example they advertise on specialist sky channels like parliamentary projects TV and passion TV to attract the black people and in print media they use the women's magazine.

Selection methods: As per the UK's diversified population; they always try to make their work force as inclusive as possible by gender, nationalities, and languages. It is one of the key factors while making selection in British gas. They use web based application with questionnaire all about applicant attitude towards job and people and according to their response they check the suitability in initial screening and called for interview and role play. This all task is performed in assessment centre to ensure they got the best candidates.

Selection and feedback: After selecting the people they required, they give the feedback for all the participants of interview to encourage for future application.

Training and development: They have apprenticeship program where trainee will be qualified within five years. They have traineeship program for new joining where they gain the knowledge and experience about the gas industry. British gas provides the awareness training (e-learning program), technical and people skill training through out the career to make sure they are updated with ongoing development in technology and they are proficient to handle and satisfy the customer needs.

**Discuss the effectiveness of these methods in achieving the organizational objectives of attracting and retaining customers, giving relevant and hypothetical examples.**

British gas, being leader of energy market, is continuously thriving to attract the new customers and retain the customer already they hold. In the competitive energy market of UK, company can not flourish only offering the low prices but the success largely depend on the customer service on demand. Trend of switching the energy provider is quite significant i. e. 900, 000 customer changed their energy provider in 2007 (Thetimes100. co. uk). Customers are looking for overall energy solution i. e. drainage, central heating, plumbing, home insurance at nominal price with better service.

In the light of above discussion about the energy industry, organisational objectives of attracting and retaining customers only can be achieved by dynamic and competitive work force. These could be possible by appropriate HR planning, recruitment & selection and training & development.

For example, British gas basically deals with the technical aspect so its employee must be proficient with latest technology of product and service delivery that could be achieved by continuous training on technical matters

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and continuous R&D vis-a-vis it has direct linkage with customer service so they must have certain people skills.

Another instance, marketing company should focus on communication and personal development of their employee. For that they have to define their requirements differently than of British gas and give the training on marketing skills, interpersonal relations and other customer management skills to retain and attract the customers.

For the manufacturing company, they always try to produce better quality products, product upgrade, new products and product line extension by total quality management hence that will reflect as total customer satisfaction. For that they also need to develop their people but not same like marketing company or British gas.

To conclude, in either case, HR planning and development methods are effective and most important to achieve the organisational objectives of retaining and attracting the customer but it should be treated fairly in different way as per the product and industry.

### **Task 3**

**Critically analyze how employees' performance in the organization is measured and monitored. Is the method adopted effective? Give reasons for your answers.**

Performance is related with individual and team performance within defined time period to achieve the goals and objectives of the organisation. It is related with both behavioural aspects and outcomes. Performance management is systematic and integrated with HR activities such as talent

management, reward management, learning and development which contribute for effective work systems and in return better levels of performance (Armstrong 2010a). Performance is measured by key performance indicators and metrics.

**Performance appraisal:** performance appraisal is a technique to assess the performance more accurately in a cost effective way. According to CIPD, there are five key elements in performance appraisal:

**Measurement:** It is crucially important how to measure the performance of employee. There are two ways of measuring i. e. KPIs, metrics. Here we will discuss about the rating scale of performance measurement that is under the metrics. It is controversial and debateable to use the number or type of level in rating scale. It is recommended that not to be more than five or six and it can be odd or even or adjective description.

**Feedback:** Clear and enforcing feedback will motivate the employee about their progress and performance. It is suggestive to give in written form that would be instance for future.

**Positive Reinforcement:** Performance appraisal is conducted in good faith to provide the accurate information about the performance so it must be constructive and motivating to the employee that will further reinforce for better performance.

**Exchange of ideas:** Participative appraisal is best way of conducting it and it gives the opportunity to share the ideas of both: management and employee. It will encourage making commitment for future.

Agreement: At last, conclusion will be drawn, and there will be agreement to correct any shortfalls and issues raised in the discussion.

**Once performance appraisal is completed, simultaneously triggers for either reward management or making strategy for underperformance.**

Strategy to address underperformance: After the performance appraisal and feedback, management will execute the plan to address the underperformance. There are basic five steps to address the underperformance.

Problem identification and agreement: Manager should encourage to the individual to know their level of performance under the set targets and criteria of performance appraisal and where they are lacking. Once the problem is identified and agreed then it would be easy to improve from that level.

Finding out the reason: Manager with individual should analyse and try to find out the reason or factor restraining for achievement. It should not be the blame game and try to find out whether it is due to lack of ability, skill or attitude.

Decision on action plan: Once the reason has been established, both or single parties i. e. manager and or employer should agree on the action needed to be taken. That could be improving or learning skills and behaviour, change in attitude, and more support and feedback system to monitor the success.

Executing the action plan: To execute the agreed action plan; more support, training and guidance or more facilities may be needed that must be ensured by the line manager.

Monitor and feedback: Monitoring and feedback gives the opportunity to know the level of improvement and to determine whether the further action is needed or not.

Reward Management: Reward management is related with recognising, giving credit and value for work or performance either of an individual or organisation to motivate for better performance. It can be financial or non financial rewards. Financial rewards are increase in basic pay, shift allowance, bonuses, incentives, company loan and mortgage scheme and allowances. Non-financial rewards will be publicity, awards, education and training etc. These all rewards are motivating for the employee but it should be fairly judged for the eligibility and timely recognition.

Staff satisfaction: Performance is measured by the staff satisfaction by analysing staff turnover index, half life index, length of service analysis and survival rate. Company success is not only measured by its profit but how well they managed to retain and attract the most talented staff in the organisation (staff satisfaction, 2010).

In a nutshell, performance of employee in organisation is measured and monitored by performance appraisal, staff satisfaction which further managed by reward system and correcting the underperformance. These methods are continuously reviewing and updating by the academia and

business practitioner so, it seems to be quite effective though there are lots of criticism and contradictions are in place.

**Based on your discussions and analyses, recommend ways through which performance measurement and monitoring at the British Gas can be improved.**

Better performance appraisal, effective reward system and enhanced customer satisfaction are the way to measure the employee performance. But when it comes to the organisational performance measurement and monitoring Balance Scorecard approach would be the most appropriate way because of the reason it looks on all aspects of the organisational activities. On the basis of following approach, performance measurement and monitoring i. e. performance management can be improved at the British Gas.

Balance scorecard approach: Balance scorecard is developed by Roberts S. Kaplan and David P. Norton as strategic management system to monitor the performance of organisation. It considers the both financial and non financial measures of the organisation and it translates the strategy to definable and achievable objectives and it should be part of information system for employees at all levels of the organisation (Kaplan 1996). It will measure the performance by financial perspective, customer perspective, internal i. e. quality, response time, cost and new product introductions and learning and growth i. e. employee satisfaction, MIS (Kaplan 1996). British gas is applying balance scorecard approach for the performance management but it is perceived that their field level employees are not much aware about the balance score card and still there is room for implementation and



improvement on it. Balance scorecard gives the holistic approach of performance measurement in British gas.

Alternative approach: These could be the alternative approach to measure and monitor the performance at British gas.

Analyzing the KPIs of different aspects i. e. total customer satisfaction, input, output, productivity, Return on investment (ROI), Return on capital employed (ROCE), Net present value (NPV) and Total quality management(TQM).

Maintaining the records and databases of performance assessments will improve the process of reassessment in the future to keep the track of progress.

Customer and employee feedback and suggestion about the products and services of British gas and where they want to see the improvement that should be incorporated in future.

Timely review of performance measures, refreshment and top up training for the employee and managers (Armstrong 2010).