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MAIN EXAMINATION

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TITLE OF PAPER: Human Resource Management II

DEGREE AND YEAR: Bachelor of Commerce III

COURSE NUMBER: BA 307

TIME ALLOWED: Three (3) hours

INSTRUCTIONS

1. THIS PAPER CONSISTS OF SEVEN (7) QUESTIONS

2. EACH QUESTION IS COMPULSORY

NOTE: You are reminded that in assessing your work, account will be given of the accuracy of language and the general quality of expression, together with the layout and presentation of your final answer.

THIS PAPER MUST NOT BE OPENED UNTIL THE INVIGILATOR HAS GRANTED PERMISSION.

GOOD LUCK (Inhlanhla Lenhle) !!!

Human Resource Management II (BA 307)

Main Examination (Total: 100 marks)

All Questions are Compulsory (Total: 7 Questions)

1. **What do you consider the three greatest strengths and, conversely, the three greatest weaknesses of management by objectives as a method for assessing performance? Jot down your reasons for each choice. Write about 10-20 words in each case.** (10 marks)

2. **Read the article (Resource 9) *Missed a motivator.* In the article, Redhouse says, "In the past, we have put in so-called incentive and recognition plans, and they have not fulfilled the expectations because we have failed to engage at the heart of the business debate." How far do you agree that the failure of incentive schemes and other attempts at performance management follow from a failure to engage in debate? Alternatively, would you attribute this failure to other factors? Study the article carefully and identify other explanations for the failure of these plans.** (30 marks)

A 1998 survey into levels of awareness and use of distance learning methods amongst 300 human resource and training managers in large organisations focused on attitudes towards online learning using the internet or corporate intranet. The results reflect general concerns that British managers have been very slow to recognise the potential of information technology compared to their equivalents working elsewhere in the world (*HR Network Online*, 17 September 1998). The survey found that:

- 96 percent acknowledged that online learning allowed staff to complete training at their own pace
- Over 75 percent agreed it allowed access to training when people chose
- 44 percent questioned whether it would be cheaper than traditional methods
- 65 percent were concerned that it might leave staff isolated
- Over 50 percent felt it was unsuitable for group work, and support and supervision would be difficult

- 81 percent felt that they needed more information about online learning before considering it suitable
- 47 percent were interested in using the method in the next 12 months, increasing to 67 percent over two years.

3. **Read over the survey results presented above, then jot down your answers to these questions.**
    a. What are the HR managers' main arguments against using computer-based systems? (5 marks)
    b. What evidence would lead you to think that they are essentially wary of this new development? (5 marks)
    c. What positive beliefs did they show in computer-based learning? (5 marks)
    d. How keen is HR managers of information technology compared with other managers? (5 marks)

Volvo

Volvo has introduced a global, fast-track management training scheme based on self-directed learning in centres around the world. Applicants are encouraged to take responsibility for their own development while contributing to organisational objectives. Volvo felt it needed to move away from an almost exclusively Swedish top management layer to develop and promote a broader range of motivated people with a multinational perspective.

With 70,000 staff in 20 different countries, applications were invited for a programme including:

- A two-week introductory session to draw up a personal development plan
- Two five-month international placements, relating experience to individual and organisational strategic objectives
- Continuous and final assessment
- A presentation.

Participants are allocated to five-person "learning sets," as well as choosing a mentor from within the organisation. A learning set is a group of individuals who each work on an individual project and report to the group from time to time. At these meetings, the members discuss the problems they face in their projects, help colleagues to solve problems, and discuss the learning they have achieved.

Staff graduating from the programme applies to new positions within the company.

Source: Thackray, R (1998), "The car is not the only star," *Independent on Sunday*, 14 June 1998.

4. **To what extent does Volvo's programme seem to deliver appropriate and adequate international management development in terms of our discussion in this section? Identify the three elements, which you consider particularly effective. Explain why in about 15-20 words in each case. Then see if you can jot down three elements, which appear to be missing from the Volvo programme. Again, write about 15-20 words to explain each of these missing elements.** (5 marks)

5. **Read the article (Resource 16) on *Core values shape WL Gore's innovative culture*. It is a reasonably long article about a particular company with an unusual non-hierarchical structure. The article covers many HR issues, but scarcely mentions human resource development directly. Can you identify the key elements of human resource development that are present within the company and those that are missing? Write 60-80 words, giving your interpretation of how HRD might be pursued at WL Gore.** (20 marks)

6. **Write about 30-50 words for each question as it relates to trade unions.**
   a. Trade unions vary considerably in the types of work they cover. Can you give an example of one type of trade union that is likely to have lost membership heavily in the last 10-15 years? Explain why this might be the case. (5 marks)
   b. Can you suggest a type of union that might have done better in retaining and perhaps increasing its membership in recent years? (5 marks)

7. **Read the article (Resource 14) entitled *Unattractive contracts*. Evaluate the approach of the university vice-chancellor in the light of the discussion on**

negotiation and bargaining. Why have negotiations failed at the university? Note that no account of a negotiation provides all the information you might want. Nevertheless, make the best judgements you can with the information provided. Write about 80-100 words. You might consider:

a. Whether this a case of distributive or integrated bargaining, as well as explain the difference? (2 marks)

b. Did the negotiation follow the stages in Lyons' model, as well as outline them? (2 marks)

c. To what extent did the vice-chancellor demonstrate good negotiating skills? (1 mark)

Resource 9

Missed a motivator?

It is an irony that performance management often fails to perform. **Chris Hendry, Paola Bradley** and **Stephen Perkins** discuss why, and suggest a new system for avoiding some of the more common snags.

Towards the end of the 1980s, performance management was bound up in the developing ethos of performance-related pay (PRP). The prevailing wisdom was to fix behaviour to targets and to attach financial rewards to these. As a joint survey in 1992 by the Institute of Personnel Management and the Institute of Manpower Studies revealed, PRP was not always introduced for the best of reasons. There was a preoccupation with defining measures that could be attached to individual rewards, and the connection with organisational performance was often tenuous.

Thinking has moved on, and many people now believe that performance management covers a raft of cultural, communications and development issues, which may or may not lend themselves to measurement. It can mean different things to different organisations, or even to different groups within the same enterprise. For sales staff, it might be performance-related pay; for professionals, it might mean a system of development unrelated to incentive pay. Even among those who still see measurement as a priority, many believe it is a holy grail that is difficult to achieve satisfactorily.

There have been many lengthy definitions of performance management. Our definition for the purposes of this article is that it is a systematic approach to improving individual and team performance in order to achieve organisational goals. We believe the approach you take should depend on your organisation: its culture, its relationship with employees and the types of job they do.

But many line managers, if asked what performance management means to them, would still dwell on individual appraisal and on the negative aspects of this process. It is often seen as time-consuming, bureaucratic and top-down. Any reference to organisational performance and goals would be extremely rare.

The Strategic Remuneration Research Centre (SRRC) has been using its privileged relationship with its membership, a consortium of 30 blue-chip companies, to work with a dozen HR practitioners from large organisations who are trying to bring clarity to this topic. The result is a performance management diagnostic designed to help firms in thinking systematically through the issues involved in developing a new approach to performance management, or in changing aspects of existing reward systems that have a bearing on performance.

There are, of course, other performance management systems and a number of books that also present the subject as a systematic process. But our work concentrates on questions about the nature of the organisation and the process of evaluating the system: does it actually improve the performance of your organisation? If not, why not?

First, let's examine in more detail some of the problems. How do we establish a link between individual behaviour and business objectives? We know that PRP is becoming increasingly popular. A survey of 544 firms carried out by the Industrial Society last year found that two-thirds used monetary incentives, and a slightly lower number (57 per cent) operated PRP. Two-thirds of the personnel managers who responded saw monetary incentives as a good way to motivate employees. A similar proportion also rated non-monetary incentives as a good motivator.

But a survey of 519 HR executives in 1995 by the American Management Association and Hewitt Associates revealed that 80 per cent felt their staff had a poor grasp of the connection between business strategy and their compensation, benefits and HR programmes. In other words, employees may be financially motivated, but are they motivated to do the things that contribute to business strategy?

We believe the reason for this lack of alignment results in part from the way in which most performance management systems are devised: top management decides it is a good idea and hands the job to the personnel department, which has not been privy to the original discussion about the board's strategic performance objectives. As the process cascades down the line, people lose sight of its original objectives.

There is also the problem of what performance improvement is achievable. An Incomes Data Services review of performance pay in the public sector in 1995 said: "If you go down the performance pay road, and people take it seriously, you must continue to pay out. But with the emphasis being on performance pay for all, the money is almost bound to be spread very thinly. More profoundly, where is this improved performance going to come from to justify a larger pot? Public-sector organisations do not, in general, have the advantages of dynamic markets and expanding business opportunities."

As one member of our professional group observed: "We operate in a highly prescribed environment. Our organisation doesn't want initiative except in times of crisis. The objective is to increase reliability and regularity. Reward for performance, defined as doing something over and above the job, is for crisis management and customer commendations. It is not about doing the job better, rather about promoting a better employee-customer interface."

Equally, how do you measure performance and grant rewards where a company is fortunate enough to be in a growing market and enjoying windfall profits? Recent research from Pims, a company performance index, noted that what works as an incentive depends on where a company is on the business cycle. There are external business contingencies that should govern the design of any system.

If you are clear about what performance improvement you are aiming at, you still need to question what motivates people. All reward systems embody assumptions about attracting, retaining and motivating people, and are based on an implicit mix of economic theory and social values, including beliefs about equity and what kind of differentials are acceptable. Performance pay is an obvious attempt to restructure these assumptions. But, in many organisations, senior managers' assumptions about what motivates people will differ widely.

Our expert group of HR professionals acknowledged this. One of them said: "If you had a meeting of 12 managers in our company, there would be a complete spectrum of opinions: from the view that a performance target linked to money is the sole motivator, to the view that motivation is purely intrinsic and you should never introduce money."

These assumptions have a powerful impact on reward systems (whether sophisticated or crude). But as Derek Robinson, an Oxford University economist, reminded us at a recent workshop: "It is the fish who decide what is bait, not the fisherman. We need to ask the fish what they would prefer to nibble."

What of motivation theory itself? Most commentators would probably accept that expectancy theory offers the most robust guide to motivation. Management guru Ed Lawler calls this concept the "line of sight", meaning that people can see the results of their efforts and the rewards they produce.

Here, a problem arises with complex projects that may take a long time to work through. These sorts of tasks are often critical to an organisation's success and are likely to be what senior managers (and groups) spend most of their time addressing. As the link between the task and its outcome becomes more remote, and as it becomes more difficult to predict success, what happens to motivation, especially when performance evaluation systems have a habit of replacing long-term objectives with short-term goals that are easier to measure?

Our group of HR professionals were concerned about this problem. "Does a bonus function as an incentive or as a historic reward for what has been achieved?" asked Mike Redhouse, director of employment policy at Guinness. "Or is it purely symbolic of status?"

If we conclude that the incentive effect is negligible, it may lead us to take a much broader, non-monetary view of motivation. We may also find that many so-called incentives are actually less powerful than a retrospective reward.

If, after all this, you still think you can introduce appropriate incentives, you must identify suitable objectives for relevant individuals and groups. Fully fledged performance management systems view the organisation as a chain of operational goals and external measures on which it is ultimately judged.

The value of such a system is twofold. First, it can highlight the range of goals that have to be achieved. Second, it highlights the contribution that people at all levels can make to both internal and external effectiveness – for instance, to the external measure of customer satisfaction.

A system of objectives and measures, however neat, has a number of inherent problems. It needs to be constructed within a framework of goals and values. Without this, there is a great risk that the different HR processes contributing to overall performance in the short and long term will be misaligned.

"Most organisations have appraisal systems, incentive programmes – in some cases, management-by-objectives processes – and personal development programmes," says Phil Wills, group director of international compensation at GrandMet. But the question remains unanswered as to how, and even whether, these processes should knit together. Does the application of all these disparate processes add up to more than the sum of the parts?

"The big word is alignment," he says. "Organisations don't seem to understand whether their HR processes are aligned, or whether they are pulling in different directions. In practice, each process operates in a vacuum, with different functions and different parts of the same function supporting the operation of individual HR processes. People don't talk, so there's no management process actively co-ordinating and focusing each of the elements on overall performance enhancement."

Alongside this is the problem of the line manager. The line manager is invariably seen as the weak link in the systems we have designed. Goals may be defined at the organisational and individual level but, in practice, the system gets subverted by individual managers or appraisees focusing too much on what matters to them.

If line managers are key to making a performance management system work, how can the system respond to their needs and make their task easier? Too often, it is more about exercising control, when performance management is meant to be about development and improvement. While the line manager may be an important part of the chain, the most crucial link is the workforce as a whole. Rewards are one of the main ways in which organisations structure their relationship with employees, and PRP is an overt attempt to realign this association.

Performance management is not, then, just a narrow question of motivation; it has an effect on an organisation's culture and subcultures. This means that anyone designing and implementing a system must talk through their assumptions and values, plus those of the people it targets. This is the only way to persuade employees to buy into it.

Developing and operating a performance management process is, therefore, fraught with pitfalls. We devised our performance management diagnostic, comprising a series of questions under seven main headings, to help HR managers and their colleagues through the minefield.

The headings follow a logical order. In most organisations, the questions (if they are addressed at all) are answered by different people and are not approached systematically. The personnel manager is responsible for the middle of the process – designing the reward structure and aligning the HR systems – while reasons, objectives and questions about the context are addressed by other parties, often inadequately. The following exchange reflects the way things are in many organisations.

Q: Who owns performance management?

A: It's a 75 per cent: 25 per cent split. Business planning drives quantitative measures; HR drives the competency profiles.

Q: What about the role of the line, and how far have they bought in?

A: They have no choice. Their role is to negotiate around the hard targets and achieve acceptability.

Far from being in the spotlight, the techniques of reward system design should become the focus only at an advanced stage in the process. Too often, this becomes the end in itself. Subsequent monitoring of the performance management process and assessing outcomes is invariably neglected, too.

The diagnostic is designed to get managers to think through the development of performance management systematically: first, to check that they are asking the relevant questions, and second, to consider their answers. But we also think of this as a ripple effect. Answers to one question will affect responses to other questions and the process of thinking issues through should be iterative.

It is clear that performance management gives HR professionals an unrivalled opportunity to lead a debate, currently fragmented, that is at the heart of business. According to Phil Wills, this debate is being conducted in a superficial way, and its significance to the HR role is not fully appreciated. "If you asked a cross-section of senior business-unit leaders what they understood performance management to be, it would result in extremely shallow comment," he says. "Performance management is not a term they are exposed to, or one that they think about. It is not a designated

HR process – there is no piece of paper that says "do performance management" – so there is no spur to action.

"We also lack a common understanding of what we mean by an integrated approach to performance management. It is unclear as to whether anyone has achieved this. For example, do companies see performance management as part of strategic planning and strategy implementation?

"The three parties involved in these processes – HR, finance and strategic planning – do not collaborate at all in the development of their various processes. There is a need to bring these into sync. One of the things HR professionals can do is to become part and parcel of the strategic planning process at the earliest stage, highlighting the issues that the incentive plan might stimulate, derived from the strategic planning process itself."

Mike Redhouse sees the introduction of a management bonus scheme as a valuable catalyst for a strategic debate. This, he says, gives HR professionals the chance to get to the heart of the business.

"A special role for HR is to be able to turn to the guardians of commercial information – in particular, the finance people – and say: 'Tell us what to measure, because we can't introduce an incentive scheme without this.' The debate can then centre around, for example, whether economic value-added or revenue growth is as good as growing contribution."

Martin Days, of BT's group personnel department, takes a similar attitude. "We must encourage the organisation to look at performance in the round, rather than through partial messages," he says. "A fundamental problem is the existence of personnel as a separate discipline. Businesses are organised so as to prompt interventions in the management process by a 'money bunch' of professionals, a 'people bunch', and so on. The truth is, performance is indivisible.

The strategic debate about performance management can therefore offer opportunities and threats to the HR function. "In the past, we have put in so-called incentive and recognition plans, and they have not fulfilled the expectations because we have failed to engage at the heart of the business debate," Redhouse says. "Unless we get smarter at challenging, at providing coherent counsel and at prompting intelligent responses to the question of measuring short-, medium- and long-term objectives, the organisation may question whether it needs HR at all."

The SRRC performance management diagnostic

1 **Reasons**

What has triggered a reappraisal of the performance management system or rewards at this time?

2 **Objectives**

What are our strategic business goals?
Who or what delivers critical performance with respect to the business goals?
What kind of performance contract do we want with employees?
What is the performance system designed to do (e.g., attract, retain, motivate, control)?

3 **Environment**

External contingencies

What stage of the business cycle are we in?

What are the effects of the national/societal culture we operate in on attitudes to performance and differentials?

Internal contingencies

What are the motivational assumptions of the relevant group(s) or employees?

What are the relevant internal employee reference groups and how do they affect attitudes to differentials?

4 **Systems**

What is the range of things we have to do to support the performance/business goals that affect employees' knowledge, capability and motivation?

5 **Design**

Content

How do we define rewards?

How do we define incentives?

What measures are appropriate (e.g., in terms of the short, medium and long term, financial versus non-financial measures, individual versus group)?

Can we measure performance in the ways we want to, and design rewards appropriately?

Can people see this connection?

Process

Are there links or disconnections through the whole reward structure?

Do other managers involved in the design and management of the performance system buy into it?

Is the process manageable?

How do we communicate about performance and rewards, including feedback?

6 **Outcomes**

What is the impact on behaviour (e.g., does the system reinforce the old or motivate new behaviours)?

Retrospectively, what is the pay-off or success criteria?

Is it possible to define or develop return on investment criteria, taking into account the costs of designing and administering the scheme, and of paying for rewards?

7 **Monitoring**

What review process is in place or needs to be created?

People Management, 15 May 1997

Resource 16

Core values shape W. L. Gore's innovative culture

W. L. Gore & Associates Inc., associates (not employees) don't have bosses, they have sponsors. They also don't have titles. Instead, they make commitments.

So what? As Gertrude Stein once said, "A rose is a rose is a rose is a rose." And lots of companies today come up with euphemisms for titles, departments and functions. It has become so trendy that *Fast Company* magazine dedicates space each month to highlight "Job Titles of the Future."

The difference is that at Gore, the manufacturer of Gore-Tex® fabric and other materials, the words they use really do mean something different than the words they re replacing. And they haven't been conjured up in the face of current trends, either. Rather, they've been a part of Gore's history since its beginning more than 40 years ago.

Gore's unique, flat, "lattice" culture stems from the four core values put in place by founder Bill Gore that were meant to foster a creative and energizing work environment. It's a culture that, without HR's commitment to those values, would be doomed for failure.

Innovation is the foundation of Gore

In 1958, Bill Gore left DuPont after 17 years as a research chemist to pursue market opportunities for PTFE (polytetrafluoroethylene), one of the most versatile polymers known to man. Bill and his wife, Vieve, began this new business venture in the basement of their home. Their son, Bob, then a chemical engineering student (and today the president and CEO), suggested the idea that resulted in Gore's first patent for a new PTFE insulated wire and cable product. Within two years, W. L. Gore & Associates moved into its first plant in Newark, Delaware, the company's headquarters.

Today, nearly 6,500 associates in 45 locations around the world continue to expand PTFE's applications in four product areas: electronic products, fabrics, industrial products and medical products. Growth has come to the company because of continual innovation by Gore associates. And innovation has come as a result of Gore's culture.

Because there are no bosses, there are no hierarchies that push decision making through the organization. Because there are no hierarchies, there are no predetermined channels of communication, thus prompting associates to communicate with each other. And because associates don't have titles, they aren't locked into particular tasks, which encourages them to take on new and challenging assignments.

Sound like chaos? It could be, if it weren't for HR's deep integration in the company and its complete commitment to the company s values:

1. Fairness to each other and everyone with whom we come in contact.

2. Freedom to encourage, help and allow other associates to grow in knowledge, skill and scope of responsibility.
3. The ability to make one's own commitments and keep them.
4. Consultation with other associates before undertaking actions that could impact the reputation of the company by hitting it "below the waterline."

Says HR leader Sally Gore of the people with HR commitments: "Day in and day out, we're champions of the culture, guaranteeing that consideration for people plays into business decisions." HR's structure facilitates this task.

HR is integrated into the business

Gore has a small plant approach, meaning it limits each facility to approximately 200 people. Most plants are self-sufficient, with manufacturing, finance, research and development contained within the facility. That means there's also at least one HR generalist at each plant.

Those generalists are part of the plant leadership team. "They understand the business needs so they can help support them," says Terri Kelly, a business leader in the fabrics division of Gore. (By the way, the philosophy at Gore is that you're only a leader if you have followers. In annual surveys HR conducts, more than 50 percent of associates answer yes to the question, "Are you a leader?")

The generalists co-ordinate the plants people issues, which include hiring, conflict resolution, associate development, strategic planning and associate resource allocation. But they also contribute as members of the businesses leadership teams, keeping everyone focused on the values, the people issues and how they translate to the bottom line. Says Kelly: "In many ways, they're the ones who make sure we're being fair (value #1) and are creating an environment that people want to work in, which is critical to getting business results."

The plant generalists are supported by specialists in corporate headquarters. These include people who specialize in recruiting, training and development, compensation, benefits, relocation and communication. However, that isn't to say that any of these HR people – specialists or generalists – are limited by their location or specialty.

For example, Jackie Brinton, who has been with Gore for 22 years in areas related to HR, has a current specialty focus on corporate recruitment. But right now, she's also serving on a broader HR team, on a divisional HR team and on multiple teams that are putting together different programs within the corporation. A recent project she worked on, for example, was developing a Myers-Briggs module for a training and development team she's part of.

The HR structure has developed over time, changing as the company grows to facilitate maintaining the culture. Likewise, the innovative HR practices the company has in place have developed over time to ensure continual adherence to the values and culture.

It's not business as usual at Gore

Take a look at recruitment. Because of the unique culture at Gore, the interviewing process becomes even more vital. Brinton says the company views hiring as one of its "waterline" decisions – decisions of such critical importance to the company that one person can't make them without consulting others (value #4). Therefore, Gore involves numerous people in the interviewing process. For an HR generalist position at a plant, for example, members of the leadership team at the plant as well as HR specialists who know what competencies are needed would participate.

But HR recruiters like Brinton own the process. "The business defines the business need. I work with the business team to define what the expectations are, and what the skills required to accomplish those expectations are," says Brinton. She also sources candidates and is part of the interviewing and decision-making team.

Interview questions to candidates target not just technical skills but other skills that lead to success in the culture – such as team skills ("Give me an example of a time when you had a conflict with a team member"), communication skills and problem-solving skills ("Tell me how you solved a problem that was impeding your project").

Once a candidate has been identified, recruiters conduct a minimum of two and oftentimes many more reference checks, inquiring not just about title, time and grade but about the traits the company needs. Gore has learned that people who want to just come to work and do the same job day in and day out don't last long. "The needs of the business are changing and we need people who are agile, who can increase their skills," says Brinton. "Continuous learning is an expectation of all our associates" (value #2).

When a person is hired, it s for a particular commitment, not a job (value #3). That commitment might be to run a particular machine, do recruiting or crunch numbers in finance. "We don't have narrowly defined job titles that limit people, but instead, we have general expectations within functional areas," says Brinton. The reason, she says, is because people take greater ownership of something they've volunteered for and committed to than something they are told to do.

The new hire is assigned a sponsor – an associate who has made a commitment to help the newcomer get to what Brinton refers to as "the quick win" (value #2). That is, a sponsor gives the person a basic understanding of his or her commitments and what it will take to be successful in those commitments. As associates commitments and needs change, they and their sponsors may decide they need something different from a sponsor, and that role may also change.

One of the primary responsibilities of a sponsor is to be a positive advocate. As such, the sponsors collect information and feedback regarding personal development from peers and leaders. That information is then shared with a compensation committee. Currently, there are approximately 15 compensation committees within the organization, serving the numerous functional areas of the business. For example, there s a compensation committee for human resources, one for manufacturing, one for engineers, and so on.

The committees are comprised of leaders within the company that understand the value someone in that functional area has, and what technical excellence looks like. HR s role is to ensure the process is fair, and plant generalists are on most of the local committees.

The committees take the feedback they get on associates and come up with a ranking of the people doing that function. The ranking is based on associates' contribution to the success of the business, not just their personal skills. For example, when evaluating an HR professional, a compensation committee would take all the input from other HR associates and plant and corporate leaders, and rank the individual with the other HR associates from highest contributor to lower ones. Then using guidelines based on external salary data, the top of the list will be paid more than the bottom. The objective is to be internally fair and externally competitive. To aid in this goal, compensation specialists at Gore compare the company's compensation levels and benefits periodically to companies such as IBM, 3M, DuPont and Hewlett-Packard.

"Our compensation practice is a good example of our principles in action day to day," says Brinton. "It's our goal to pay people based on the success of the business, and that's fair (value #1). People make their own commitments (value #3), and that affects their level of contribution." Also in fairness, Gore takes into consideration that it's possible that an associate can make a significant contribution to the corporation in a business that is not successful.

Part of Gore s compensation practice is to offer associates stock ownership and profit sharing plans (there's #1 again). In fact, associates own 25 percent of this privately held company – the Gore family owns the rest.

It works for Gore

There's no doubt that Gore's organizational structure and lattice culture wouldn't succeed without the support of these HR practices. And the structure and culture have worked well for Gore, which currently reports worldwide sales of $1.4 billion. However, the picture isn't all rosy. "People have a misconception that this is a soft corporate culture," says Brinton, "but this is a pretty tough environment for people to be in. We put a lot of responsibility on individuals to be personally successful and to work toward business success."

Sally Gore agrees. "I often compare our organizational structure to a democracy to explain the tradeoffs in a structure like ours," she says. "When you look at it from a purely objective standpoint, a democratic government may not be the most time- or cost-effective way to run a country. In the end, however, the quality of life is far better than what you'll find in a dictatorship. We believe the associate satisfaction and spirit of innovation that result from our culture more than compensate for its challenges."

Sometimes a rose is just a rose. But as W. L. Gore demonstrates, sometimes, it's much, much more.

Workforce, March 1999
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Website at http://www.workforceonline.com

Resource 14

Unattractive contracts

Lecturers could be forced to accept new pay deals as universities come under pressure from paying students, says **John Carvel.**

Brian Roper, vice-chancellor of North London University, has sparked an industrial relations crisis by pushing through changes in his lecturers' contracts to introduce performance-related pay and flexible working arrangements that echo David Blunkett's plans for schoolteachers.

His approach was condemned as 'stone age management' by Natfhe, the university and college lecturers' union which has called an academic boycott to stop staff at other institutions having further contact with North London. Exam boards will be disrupted this week if external examiners withdraw their services. The university's trades union studies centre could be an early casualty. The dispute has national significance because it could be a foretaste of turmoil ahead as other universities move towards a more customer-oriented business philosophy to satisfy the increasingly demanding requirements of fee-paying students.

Roper is the last vice-chancellor anyone would expect to be in a fight with the unions. He shared platforms with them in the campaign against tuition fees and made no secret of his view that academic salaries are woefully inadequate.

He says his current actions stem from the slogan: 'Modernise or die'. Universities can no longer provide the services they think the students need. They must deliver what the students want at the time and place they want it. 'What's pivotal now is the university's contract with the student. We are moving into a time of demand-side higher education, whereas all the history has been about the supply side.' Roper says there is no hope that national pay agreements can deliver sufficient rewards for lecturers. Over the 10 years of the current negotiating arrangements, academic staff have improved productivity by 50 per cent, but their salaries have not even kept up with inflation.

At North London, between a third and half of staff have reached a point in the pay scale where there are no further increments. That tight system is unlikely to change because the university employers will not want to pay more than their poorest members can afford.

'We want to create a high-wage, high-productivity economy in this university. We want the best and we are prepared to pay high salaries to recruit and retain them. And we are going to invest in their development,' says Roper.

The problem came when he tried to impose a particular version of this approach without Natfhe's agreement. Roper says he lost patience after three and a half years of local negotiations.

From the start of this year he has been hiring staff on new performance-linked contracts that can boost their salaries by up to 10 per cent above the nationally-agreed rate. But their annual holiday drops from seven weeks to six, and their entitlement to an additional six weeks of self-managed scholarly activity will be a lot more strictly monitored. The dispute with Natfhe grew serious when he gave notice just before Christmas that he aimed to introduce the contract for existing staff.

Tom Wilson, head of the union's university department, said Roper was trying to tear up a national agreement and replace it with a local contract that: threatened academic autonomy; required lecturers to be available for work at weekends with no compensation; cut sick leave and sick pay by two thirds; and prohibited industrial action.

'Why seek a no strike clause?' he asked. 'Why attack the very group of staff who have done most to deliver lifelong learning to UNL students? Natfhe members will not accept the dumbing down of their jobs.' Natfhe's view is that North London should have followed other universities such as Brighton, East London, Kingston and Greenwich, which agreed local deals within the national framework to gain the flexible working arrangements they wanted. The dispute's outcome could affect industrial relations across the sector.

'There is massive pent-up demand for this, 'says Roper. 'When it becomes more public, other institutions preparing strategies will go public with them.'

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