

*International Studies Center*  
Human Resource Management

## **HRM -MANAGING PARADOX**

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*“As we continue to operate in an era of rapid change,  
managers will have to become more skilled in managing  
paradoxes and competing demands....”*

- *Gareth Morgan*

Budapest, 11 May, 2005

## INTRODUCTION

Modern businesses of the 21<sup>st</sup> century are rarely just black or white, therefore the ability to manage the paradoxes and live with uncertainty are critical. Most executives find they need to balance between two almost equally good choices and follow-up accordingly. For example: compete or collaborate, teamwork with individual achievement, and firmness with compassion. The ability to change and adapt to the rapidly changing business environment is a difficult task.

Paradox is an event or phenomenon involving apparent contradictory, mutually exclusive elements that are both valid and operate simultaneously. Putting this in other words this event or phenomenon containing opposite ideas that make it seem absurd or unlikely although it is or may be true in fact. Fundamentally paradox is a mental construct.

This list represents some examples of paradoxes:

- Conscientiousness increases performance but discourages creativity and innovation.
- Intelligence leads to higher performance, but greater boredom and dissatisfaction. (Training)
- Learning a task increases performance of that task but lessens the performance of other tasks. (training)
- A specific goal leads to higher performance but leads to a neglect of other important goals.
- Rewards for performance increases performance but decreases performance on tasks not rewarded

- It often happens that not the candidate who scored highest points during testing is offered the position, but someone, who fits the company culture, and organisation and the actual team best
- The management should consider the trade-off between recruiting employee with high level of experience and advanced skills or recruiting employee with relatively low skills and investing into training and development.

Some of them and other paradoxes are going to be discussed in details in this paper.

### **HRM AS PARADOX**

Human resource management should emphasise the importance of people not only as workforce, but as competitive force in the broadest possible sense of the word. One important lever is to consider employees as experts in their jobs and reap the benefits of their knowledge and experience.

The competent human resource management directly influences on the results of the company activities. As separate area of management, HR has achieved but thus primary activities of HR departments was practically dissolved in different types of classifications, systems, estimations, procedures, etc. Paradox: HR function is perfect on the organization, but absolutely useless as a matter of fact. The researches conducted among company's top management have identified common trend that HRM employees are far from business activities (Dikanova, 2004). For this reason recently many companies began to refuse to do routine functions of HR, and some transferred a part of personnel management to external advisers.

### **People-Power Paradox**

Many of the firms believed that although their competitive advantage depended on the quality of their people, personnel management was of only secondary importance. This phenomenon is called 'the people-power paradox': the failure of organisations to use their people-power despite realising the importance of so doing.

The people-power paradox, then, is one that needs to be solved. An assessment of the value of the people in an organisation is important, but is also at the centre of the paradox. Put another way, the paradox couples the belief managers have that people are the power in an organisation with an inability to tap this power to any meaningful extent.

People make the difference, and that is why the HR function is prominent within most organisations. But to what extent has HR succeeded in using the potential power of people? But too often, companies have found that the benefits of each initiative are not sustained, or are marginal, or the bottom-line effects are unconvincing.

HR is essential in many ways for company operation and maintenance, but it has not really solved the problem of unleashing the potential of a company's employees. Some management gurus, in attempting to understand the people-power paradox, have even suggested it is impossible for management use the real power of employees. Instead, 'chaos' is seen as an essential ingredient for the emergence of many aspects of worker potential. This phenomenon has drawn attention of scientific society. For example, in his books on complexity and chaos in management, Professor Ralph Stacey (Professor of Management and Director of the Complexity and Management Centre at the Business School of the University of Hertfordshire in the UK) proposes that intangibles such as 'knowledge', 'strategy', 'innovation' and

'creativity' cannot be managed: they emerge as a result of powerful informal and chaotic processes.

Much of Stacey's analysis may be correct as far as the informal and intangible aspects of business goes, but this does not mean that these soft aspects of business cannot be managed. Companies *can* change the potential of individuals. But whereas early HR initiatives have concentrated on the *organisation*, managing the people-power paradox requires a refocusing on the *individual*. This means that managers need to change the focus from aspects of environment within the organisation and the way work is designed to transforming the way the people perceive themselves, their work and the organisation. Managers require tools that can provide both a rigorous evaluation of the value and utilisation of human capital within an organisation, and methods for improving that capital.

## **RECRUITMENT & SELECTION**

Recruitment and selection is a matchmaking process, in the steps of which the right person is found for the right position. However, several pairs of dilemmas can rise during the process. The options one may make can be equally good, but awareness is important to handle outcomes of the choice.

The very first dilemma in recruitment and selection, whether it should be carried out in-house or should be outsourced. Both of them can be equally good, with different advantages and disadvantages.

Outsourcing recruitment can provide free time for other HR functions, such as HR consultancy within the firm, but external professionals may not know the needs of the company enough. While the in-house recruitment is time-consuming, with lots of

administration duties, but the number of candidates is larger and organisational recruiters know the needs of the company better.

The second paradox in recruitment and selection can be seen when setting the criteria-levels for candidates. This means a company has the option to hire somebody who still needs to improve his/her skills, gain more experience in order to be productive or hire somebody who already possesses the skills and experience to excel in the given job. Both of them are appropriate, but until in the first case the company provides space for improvement and on-the-job learning possibility for the employee, thus motivating him/her and retaining her, in the second option the company can expect that the employee may leave soon, because he/she will soon be appropriate for a higher position. Another side of the coin, hiring somebody with less experience, knowledge, skills is cheaper for the company, but the company has to invest in training and developing that employee (invest not only is the sense of nominations for trainings, but also coaching/mentoring activity from the side of the supervisor). The hire a more experienced person is obviously more expensive, who can quickly add profits to the business, and can quickly be promoted or may leave the company, which is a loss, because it generates another recruitment project.

Paradox in the selection phase of the recruitment process in the use of assessment methods: recruiters usually use those assessment methods first, which are less reliable. During the phase in which the candidate pool is the most reduces. This means, that the pool of candidates is largely downsized with the help of such assessment methods, which are less reliable and less objective, than those which are used in a later phase, when anyway the pool is already smaller. This means in practice that resume pre-screening is a less reliable form of candidate assessment than psychological tests, and still the first precedes the latter. This however, may also be,

because of the cost of reliable and objective assessment methods, such as psychological test, handwriting analysis, etc.

The greatest dilemma in recruitment is which candidate to select among the best? It often happens that not the candidate who scored highest points in tests is offered the position, but someone, who fits the company culture, and organisation and the actual team best. This is because, even though somebody performs excellent on intelligence tests and can make a very good impression with his/her work sample, but if this person's personality does not fit in with the team and company, he can even destruct others in his/her environment.

### **IT Skills versus Experience**

Many companies, especially the ones in IT business, are facing the "IT skills versus experience" paradox when recruiting new work force. No matter what is the company's main operation it has to use advanced IT tools in order to stay competitive. IT systems play an important role of the company's every day operations therefore even a little flaw in the system can cause serious inefficiency problems. For this reason the people responsible for the IT systems have lots of responsibility.

Positions with bigger responsibilities require more experience. However, those people who have the necessary skills (like young people) do not have the required working experience. On the other hand people with enough corporate working experience do not have the necessary IT skills. The situation is even worse when you consider a company whose main operation is involved with IT technologies. Most of the positions at those kind of companies require some degree of IT knowledge that the older generation employees might lack. This is a common trade off (skills – experience) that HR managers have to face when recruiting.

## **PEOPLE DEVELOPMENT & TRAINING**

Let's imagine a situation – new employee has just signed a new contract – company is happy, employee is happy, everyone is happy. And as one of company's obligations there is a small point – continuous training and education of the new employee. Time is passing, employee performs better and better, company fairly fulfils its duties. But suddenly management starts to realize that employed person is much better than is needed for the position he occupies. And employee understands this too. He starts to feel himself not valued correctly. The problem arises.

The paradox is in a situation, that possibility for developing and constant training may be an important motivation factor for many employees. But at the same time it appears that after a certain time person will become “too good” for the position he is currently in.

As a result we have highly experienced and educated person who is not fitting the position we took him for any more.

We have two possibilities for solving this problem:

- to promote him to a higher position
- or to let him go to another company

But we need him exactly at a place we took him for. Isn't it a paradox?!

We educate and train employee, he works and does his best, everybody is happy, but only till the moment when employee overcomes the level of his position! After this he starts to think that his knowledge is expanding borders of his position, that he deserved more challenge, more opportunities, more compensation. It is



impossible for people to develop forever staying on the same place, and therefore without any perspective to move higher, strong motivation to leave the company for better satisfaction of abilities, knowledge and experience appear.

Also we should not forget, that further development and training is a big incentive for people.

Actually, this is some kind of a prerequisite for any type a job. Because people usually tend to plan their career. And without personal development it is impossible! You will never get promoted if you are not acquiring new knowledge and skills. Basically, it is impossible not upgrade yourself during your work time.

The question is if special training is a special requirement for taking the position or it is not planned and expected to happen “someday” in future.

So should we take those who are not willing to educate themselves?! This sounds ridiculous! But if not, then where to promote the person that is not fitting his level any more?? Should we fire somebody else?

In our opinion the only solution is the growth of the company. Only in this case we can keep trained employees with the firm, so and promote them.

There is only one small condition – company has to grow with the same speed as employees are developing.

Is it possible?

Depends on a management of the company...

**CAREER MANAGEMENT & EQUAL EMPLOYMENT OPPORTUNITIES**

Equal Employment Opportunity (EEO) gives all people the right to be considered for any job for which they are skilled and qualified, ensuring that the best person for the job is employed. EEO is based on the principle of recruiting and promoting people on merit. EEO also promotes a working environment free from harassment of any kind, and access for all staff to job-related opportunities, e.g. training and development, promotion and reclassification. The main aim of EEO is to achieve fair practice and behaviour in the workplace. Despite this aim, companies are faced with situation not being able to practice them. Such cases as:

- Recruitment, selection and promotion practices which are open, competitive and based on merit for the company. Merit assessed by clearly defined, job-related criteria ensures that the best applicant is selected for the job. The paradox faced by the company here is that they cannot include preferably age, sex, etc suitable for their in the job advertisements.
- Access for all academic and general staff to training and development. A company would not want to spend so much money on all employees or they may not have enough financial resources to take all employees for training. The company will be faced with financing some employees and leaving the others.
- Grievance handling procedures that is accessible to all academic and general staff and deal with workplace complaints promptly, confidentially and fairly. An example is a mistake made by one of the best employee. The same mistake was made by another employee in the past and got fired in the process. The company is then faced with if they should let their best employee go or take another action.
- No unlawful harassment in the workplace. A company might be faced with a sexual harassment complaint where the company is faced with either

compensating employee to protect its name or investigate. Although, this paradox forces the employer into an untenable position of having to defend, from two almost diametrically opposing viewpoints, harassment-related claims arising out of one alleged incident. On the one hand, the person *alleging* harassment may have a claim against the employer if the allegations are not competently investigated. Conversely, the person being *accused* of harassment may also have a claim for wrongful discharge for exactly the same reason. As a result, employers now have a far greater need to conduct vigorous and effective investigations when allegations of impropriety first arise.

In career management, the paradox managed here is performance appraisal and advancement planning. In performance management, companies can be faced with accurate/inaccurate performance appraisal underrated/overrated performance appraisal and yet decisions have to be made on that. In the case of performance appraisal, most companies readily acknowledge that performance appraisal should be an essential component of the staffing process, yet when questioned about it, many concede that it is the weak link in the staffing practices of their organization; and in fact, it is frequently performed in a perfunctory, mechanical manner, or ignored altogether. The importance of performance appraisal is to an organization's health and to its staff members' well-being, but employees give inadequate attention to a process that is, in practice, treated as inconsequential or even hurtful, by many staff members. Informal approaches to performance appraisal seem to be the most effective approach to employees rather than formal. This, again, raises a paradox or contradiction; most staff members believe that performance appraisal systems are ineffective, yet most report high levels of satisfaction with their positions.

Also, the performance appraisal paradox refers to a weak correlation between performance indicators and performance itself (Meyer & Gupta, 1994; Meyer & O'Shaughnessy, 1993). This phenomenon is caused by the tendency of performance indicators to run down over time. They lose their value as measurements of performance and can no longer discriminate between good and bad performers. As a result, the relationship between actual and reported performance declines. It is important to understand that the paradox is not about performance itself but about the reports on performance. Contrary to the expectation, indicators do not give an accurate report of performance. This could mean that performance is worse than reported (overrated) but also that it is better than reported (underrated). In the latter case, the performance paradox might be considered harmless. However, performance appraisal paradox can be evoked unintentionally or deliberately when the results of performance assessment are used to evaluate organizations or persons.

Lastly, Performance reviews aid management in decision-making related to promotion, advancement, training, salary administration, discipline, and potential termination. Decisions related to discipline and potential terminations are usually the hot button issues that managers in engineering firms want most to avoid. But in firms that ignore or simply overlook performance problems, the problems may grow so large that they put the firm at risk either from a professional liability claim or from some kind of employee relation's fiasco. The paradox is if you don't deal openly with a performance issue, you really deal with it all the time. The prevention of larger problems is why continuous feedback and documentation are vital.

To explain that of advance planning of a company a scenario will be given: One in five an interview respondents and one in four of a survey respondents were under 30

years of age. The respondents in the sample who were under 30 were in completely different stages of both family (i.e. no dependent care) and work (less breadth, less experience) life cycles than their colleagues who were over 30. They also provided quite different responses to both the interview and survey items than their older colleagues. Compared to workers in the other age groups, younger respondents were more satisfied with their job and with various elements of their compensation package. They were not, however, more satisfied with their salaries. They had more positive views of the work environment and experienced less work-family conflict (most did not have children), and less job stress. They were more strongly interested than those over 30 in training, challenging assignments, special projects, being mentored, and opportunities to interact with senior management. They placed a greater value than their older colleagues on career growth and advancement. Those in the under 30 age group were more likely than their older co-workers to be the beneficiaries of organizationally supported career development initiatives. For example, they were significantly more likely:

- to say that their manager, their department, and their organization supported their career development;
- to receive more training, more mentoring and more career coaching from their manager; and
- to have the opportunity for intensive training, new challenging assignments, and special work opportunities.

Despite this high level of perceived career development support, those under 30 were no more committed to their organization than their older colleagues and were, in fact, more likely to say that they were considering employment elsewhere (95% have

thought of leaving their current organization). Respondents in this group were also more likely to say that if they left they would go another high tech employer. They were also more likely to say that they would leave for compensation related reasons (salary, stock options, high taxes) and for better career development opportunities (more interesting work, technical challenge or opportunities for advancement).

This paradox (higher support but higher intent to turnover) can be partially explained by the fact that while younger employees did seem to receive more support for their career development efforts, not all had made significant progress upwards within their organization a factor that was very important to many in this group.

### **Empowerment**

The idea of empowerment is central to the Human Resource Function. Empowerment should not be about espousal and design of systems alone, but instead should lead to processes that contribute to power equalisation within the organisation. An empowered employee should be capable of understanding both the external and internal environment, and should be equipped with the necessary competencies to act; as and when required without being told to do so. This requires a shift of the control function to within the employee rather than from without, and does not require the employee to wait for orders since he or she is afraid or poorly equipped to act on his or her own.

To be a viable system the organisation must also exercise a degree of control over the output. This would invariably lead to a conflict with the issue of empowerment. How much of empowerment is required? Do control mechanisms need to be done away with altogether?

### **Minority Laws versus Skills**

Some countries, like the US for instance, have minority employment laws, which basically mean that every company is required to have a certain percentage of employees from bigger minority groups. In some cases it might be a problem to find the right experts from different minority groups. As a result of the scarcity of skilled work force in some minority groups the company has to face two choices: 1. hire less skilled employees and train them itself. 2. Or hire the few experts who should probably be overpaid.

### **Mobility versus Experience**

Again, you can discover an HR paradox between the benefits of young employees versus that of more mature and experienced employees. Many multinational companies have positions that require employees to constantly travel abroad and attend meetings, conferences, negotiations that could be very important for the company's well-being and therefore require lots of responsibility from the employees. This ongoing traveling could be a serious issue for older employees because of their families and other personal reasons. They might only take a job like this if they are "extremely well" compensated, which may not be worth it for the company. However, these employees have the necessary experience with the company and therefore can be trusted with the bigger responsibility.

On the other hand, younger employees probably do not mind traveling abroad often even for less compensation. They are more mobile because they still do not have a family to be taken care of and also young people are generally more flexible. However, they do not have the necessarily work experience at the company that could be required for tasks they have to perform abroad.

The company should choose carefully the employees who will attend official meetings; negotiations because these employees will represent their company abroad and any failure (because of the lack of experience) can seriously hurt the company's image. It is again an important HR paradox that HR managers should be aware of when making recruitment decisions.

### **COMPENSATION & BENEFITS**

Merit pay

Performance Level	<u>Quintile, %</u>				
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b><u>Superior</u></b>	11	11	10	9	8
<b>Above Average</b>	9	9	8	7	6
<b>Average</b>	7	7	6	5	5
<b>Below Average</b>	0	0	0	0	0
<b>Poor</b>	0	0	0	0	0

Because the purpose of the guidelines chart is to balance conflicting pay goals, it compromises, by design, the relationship between merit increases and performance appraisal ratings. The highest rated performers will not always be the employees with the highest percentage increase. It is rather evident that superior performers in quintiles 1,2, and 3 can receive a percentage increase as much as or even more than that of an outstanding performer in quintile 5. As a result, employees are likely to learn that pay increases are not determined just by performance.

### **CONCLUSION**

These paradoxes cannot be resolved, at best they can be understood and harmonised with. Crucial to harmony, is the development of a framework for action



that would dictate the nature of systems and processes in the organisation, in short the development of a culture which is infused with both ethical values and the goals and processes of the Human Resource Function.

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