HR Planning
Pharma Case Study
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Abstract
In a number of real-life situations, organisations are confronted with taking decisions to adopt different human resource management policies and practices in order to meet the challenges of dynamic business environment. In the case of Pharma, changing business environment and the associated challenges have necessitated the initiation of some HR-related actions. Some of the policies and decisions to meet the market dynamics are likely to affect the employment relationships in Pharma site, because the circumstances have forced the organisation to pursue employee head count reduction measures and implement flexible work designs. Pharma site considers introducing flexible work patterns which are expected to have serious implications like evolution of conflicts within the workplace affecting functional employment relations within the Pharma site. This is likely to lead to breach or violation of psychological contract in the organisation. In order to cope up with the change, Pharma site needs to consider implementation of HR strategies that would help in reducing workplace conflicts and bring back harmony in employment relationships by mitigating the adverse impact of any breach or violation in psychological contract. The work also evaluates possible implications of head count reduction and flexibility strategies on employment relationships and details the courses of action for restoring effective functional employment relationships in the Pharma site.

Keywords: Employment Relationships, Psychological Contract, HR Management, HR Plan, Pharma site.

1. Introduction

Factors like staff cost budget, reorganization, or other transition plans of organisations may require the HR managers to consider alternative staffing measures including reduction of workforce. Appelbaum et al. (1999) consider downsizing as a cost-containment strategy, which when implemented is expected to result in streamlining of activities and reduction in the waste and inefficiency in the processes. According to Cameron (1994), head count reduction strategies may take the form of workforce reduction, redesigning of the work and systematic strategies each having its own merits and demerits. Expectations
of greater productivity as well as the need for swifter responsiveness to meet the changed market demands and innovation have induced organisations to consider introducing flexibility in work patterns. Flexibility involves exploitation of core and peripheral labour to the maximum advantage by breaking the rigidities associated with the traditional labour segmentation. It also calls for the implementation of a suitable flexibility design from the available ones considering productivity as well as the employment relationship.

Employee restructuring strategies and implementation of flexibility is likely to have serious impact on employee relationships. Any organisation considering introduction of such HR strategies must also work towards sustaining functional employment relationships as the restructuring measures may lead to breach or violation of psychological contract and other serious HR management implications. Some of these implications may be detrimental to the organisation. Sustaining employment relationships may be attempted by introducing processes of employee voice and means for reducing conflicts. Organisations may also use psychological contract to enhance trust, show fairness in treatment of employees by compensating for breach or violation of the psychological contract as measures to strengthen employment relationships. Based on the case study of Pharma, this work considers the aspects of reduction in head count engaging employee resourcing plans, critical analysis of options for introducing different forms of flexibility, evaluation of possible implications of head count reduction and flexibility strategies on employment relationships and the possible employment relations policies and processes that might be implemented so that functional employment relationships can be maintained within the context of the proposed changes in the organisational setup.

2. Reduction in Headcount – Employee Resourcing Plans

Organisational change and redundancy are the two aspects that need to be considered simultaneously. Redundancy can affect those involved seriously and therefore, it is critical that considerable thinking is undertaken before dealing with redundancy and before employing different head count strategies (Waters, 2007). In the case of Pharma, the site in North West of England is under pressure to contribute to the company-wide cost-saving initiatives and at the same time retaining the reputation of the site as a centre of excellence, which involves consideration of key HR issues like reduction in total head count, introducing flexibility in the workforce, and sustain functional employment relationships while carrying out the necessary organisational changes. It is necessary to adopt a ‘best fit’ approach to make the HR practices effective, which is aligned to internal and external environment of the organisation (Boxall and Purcell, 2011). From the demographic profile of the employees of the site, it is observed most of the employees have worked longer than 22 years with the company and are employed on traditional contractual terms in full time permanent employment. These facts about the employee profile point out that any exercise in the direction of reducing the head count is sure to affect the employee sentiments significantly. Workforce reduction in Pharma site can be attempted by employing the strategies of attrition, layoffs, voluntary redundancy, and buy-out packages. Since the proposed change in the staff strength must be of a permanent nature, layoffs and voluntary redundancy may not be a good option to consider. From a management perspective, voluntary redundancy may present the best possible and attractive action to facilitate the downsizing process (Clarke, 2007). However, there are certain difficulties associated with voluntary redundancy. The most important issue is the lack of control of the managers on the employees who would stay and who would leave. This situation may result in Pharma losing employees having the necessary and most up-to-date skills and knowledge as these employees can easily find alternative employment (Cascio, 2010). A typical example can be seen from the study of Beynon et al. (2002) who has reported adverse consequences on the performance of the pharmaceutical company studied by them. The organisation may also have to face the negative consequences of resulting from the
potential antipathy of the employees who were denied voluntary redundancy opportunities (Clarke, 2007).

The HR department can put up a circular in the campus notice board seeking the employees to offer themselves for voluntary early retirement from the organisation. The circular may also specify a specific date within which the employees should register for such voluntary retirement scheme. The notice or circular may also provide details of the benefits that the Company may offer to them in case they voluntarily retire from the Company’s services. Pharma should however retain the option of accepting the request for voluntary retirement from the employees. This will ensure that the Company does not lose the needed employees under the voluntary retirement scheme. After the date fixed for the offer of voluntary retirement scheme, the HR department can identify the employees who should leave the organisation. Individual HR sessions should apprise such employees about the compulsory retirement of them and also the possibility of their dismissal from service if they do not agree to leave the services on their own voluntarily. These actions can be executed immediately and will lead to quick reduction in head count through top-down directives. However, as mentioned earlier such actions also have a disadvantage, as it is difficult to predict which employees will consider taking advantage of voluntary redundancy scheme (Appelbaum et al. 2002). There is the potential danger of losing persons having relevant knowledge and critical skills. This might affect the objective of sustaining the position of the site as a centre of excellence.

3. Options for introducing Different forms of Flexibility

For achieving the objective of employee cost reduction and greater productivity, introduction of different forms of flexible work practices in the Pharma site can be considered in addition to reduction of head count. Flexibility initiatives help in speeding the response to organisational and environmental changes, because such initiatives lead to enhanced productivity and commitment. Flexibility also has serious implications affecting employment relationship (Kersely et al. 2006). On the other hand, flexibility from the employees’ perspective involves rearrangement or restructuring of the work patterns (Pilbeam and Corbridge, 2006). There have been several studies on the benefits and implications of different forms of flexibility that could be introduced in the workplace (e.g. Legge, 2005; Marchington et al. 2012). While considering the implementation of flexibility measure, organisations may also have to consider discarding of employees when the competitive competitions or a shift in the business strategy require such restructuring. The demand for such changes in policies may affect the ability of HRM managers to manage employees with a long-term purposive perspective (Claydon and Collins, 2005). One major problem with flexibility models is the assumption regarding the independence of management to redesign the employment system as per its wishes; but in practice, it is essential to get the consent of the employees to secure the success of the model. Although actions like maintaining relationships with trade unions and practice cooperative ways of dealing with employees may be perceived to limit the scope and freedom of managerial actions such measures are considered necessary to reap the benefits of the flexibility models (Claydon, 2004; Gilmore and Williams, 2012). Flexibility may take the form of functional, financial, geographical, temporal, skills and structural flexibility. Functional, temporal and numerical flexibility can be considered in the Pharma site to ensure increased productivity among the employees.

3.1 Functional Flexibility

According to Bratton and Gold (2012), adoption of functional flexibility would involve development of a core workforce and a peripheral workforce, which is in line with Atkinson’s (1984) flexible form model. Functional flexibility implies the ability of the management to reassign the workers quickly among
different tasks considering the specific job requirements. Such movement of employees is most likely to provide on-the-job training to the technicians in both short-term and long-term studies. One of the important advantages of having core and peripheral employees as a part of flexibility arrangements is that the Pharma site would be able to break the rigidities associated with having the employees on traditional contractual terms and thus reduce the standard benefits and privileges that the employees have been receiving hitherto (Dyer, 1998). The main advantage of functional flexibility is the increase in employee satisfaction and productivity levels. The other advantage is that functional flexibility will ensure versatility within the workplace, as the employees are required to acquire the skills required to work on different assignments (Torrington et al. 2011). The shortcoming of functional flexibility is that its success depends on the work amplification and the ability of the management to exert control over the employees (Legge, 2005).

3.2 Temporal Flexibility
Temporal flexibility focuses on the arrangement of employee working hours so that the demands for short-term studies in the Pharma site are met with maximum productivity. Examples of temporal flexibility are overtime, shift work, flexible part-time and weekly working time arrangements. This form of flexibility is seen as one of the variants of functional flexibility and therefore carries all the advantages of functional form of flexibility. The main advantage of temporal flexibility is that it will reduce unproductive time and can offer better work-life balance for the employees of Pharma considering the age levels of majority of the employees who are likely to be retained after the reduction in head count. This form of flexibility also helps in improving productivity at reduced costing (Beardwell and Claydon, 2012).

3.3 Numerical Flexibility
Numerical flexibility refers to the ability and ease with which Pharma can adapt the number of workers to meet fluctuations in market demand or to meet the needs of technological innovations. Numerical flexibility implies the capacity of the management to dismiss a certain number of employees so that downsizing can be accomplished. This form of flexibility must also enable the management to replace workers whose skills have become obsolete. It should also allow new forms of employment consisting of temporary or contingent workers as and when the organisation hires new workers. Although this form of flexibility offers many advantages to the Company, to comply with the legislative requirements to exercise dismissal may pose significant problems to the Company.

3.4 Impact of Flexibility Measures from the Employees’ Perspective
From the employees’ stand point, the likely changes in the form of various flexibility measures are likely to affect the attitude and behaviour of employees. Before any such organisational change is implemented, it would be advisable to put forth the plan for their comments and suggestions to the active staff committee that acts as a strategic representative body of the employees. Since some of the measures might affect the terms and conditions of service of the retained employees, the involvement of the staff committee would help in making the employees understand the current economic scenario within which the Pharma site is forced to work. Implementation of flexibility measures without any discussion with the employees’ representatives is likely to cause resentment among the employees and consequent low morale and job dissatisfaction. On the contrary, when explained properly the likely benefits that might occur to the employees, most of them may readily agree to the change in the working pattern. From the organisational perspective, flexible work patterns will add to the competitive advantage of the Pharma site, as such programmes enable the site to match the peaks in the activities.
4. Implications of Head Count Reduction and Flexibility Strategies on Employment Relationships

The employment relationship after head count reduction and application of flexible strategies is most likely to have significant impact because of the managerial actions and consequent change in the organisational structure. The impact is viewed from the perspectives of psychological contract and human resource management.

4.1 Implications for Psychological Contract

The psychological contract is capable of evaluating the individual aspects of employment relationship which is likely to be affected by head count reduction and flexibility strategies (Conway and Briner, 2005). Psychological contract can explain the impact of the transformation that takes place in the employment relationship. Guest (2004) defines the psychological contract as “the perception of both parties to the employment relationship, organization and individual of the reciprocal promises and obligations implied in that relationship” (p. 74). Thus, psychological contract will be able to provide some explanation to some of the fundamental questions on employment relationship. According to Armstrong (2009), from an employee perspective, psychological contract includes aspects covering fairness in treatment, employment security, opportunity to develop skills and trust in the management that the organisation will keep their promises. From an employer’s perspective, psychological contract covers different aspects of employment relationship such as competence, compliance, organisational commitment, and loyalty.

A negative psychological contract is most likely to result in reduced performance level (Guest and Conway, 2002). With the introduction of flexible work practices in Pharma site, it may so happen that some employees might presume that the organisation has failed in its obligations towards them in developing the potentials of such employees. These employees might exhibit higher level of job insecurity having low levels of commitment towards the organisation. Employees who are put on flexible contracts are likely to receive only low benefits and may lack the opportunities for training and development as compared to the employees comprised in the core category. Consequently, these employees may have job dissatisfaction and may experience mental discomfort. Such a situation might lead to reduced loyalty among the dissatisfied employees and will adversely affect the organisational performance. Rousseau (1995) addresses this situation as violation or breach of the psychological contract.

However, it is necessary to understand the distinction between breach and violation of psychological contract. Morrison and Robertson (1997) consider violation of the psychological contract as the emotional and affective reactions which might arise when the employees feel that the organisation failed to meet its obligations in the psychological contract. Schalk et al. (2004) observe that violation arises when the employee assumes that there is a discrepancy between the obligations as perceived by the employees and obligations promised by the organisation. In the case of Pharma site, there are valid reasons for the organisation to not to comply with its obligations and therefore the employees who are asked to follow flexible work practices are bound to feel violated. Rousseau (1995) identified three sources and characteristics of violation of psychological contract. They are inadvertent, disruption, and breach of contract. In the case of Pharma site, operational requirements because of financial, structural, or technological reasons have forced the organisation to refrain from fulfilling its part of the obligations under the psychological contract although there is willingness on the part of the site. This situation is identified by Rousseau (1995) as violation caused by disruption. The employees’ experience of breach and violation of psychological contract therefore is based mainly on the perception of the employees about the promises made by Pharma and kept by it.
4.2 Implications for Human Resources Management

Marler et al. (2002) point out that flexible work practices may be adopted by individual employees for different reasons and therefore it is important that all the employees should not be treated in the same way by HR management in Pharma site. It is critical that employees on the margin of employment and the knowledge workers should be differentiated on the basis of contract of employment. In the case of technicians, the contract of employment with flexible terms may be by choice.

For employees who are on the margin of employment, the competencies may be low and thus will have low bargaining power (Crane and Matten, 2010). These employees may perceive that the organisation extends unfair treatment to them. Consequently, these employees may experience job insecurity and may not have adequate opportunities for training and skill development. Introduction of flexible working practices may have its impact on the employment relationships. Modern-day HRM focuses on strategic and integrated frameworks based on employee commitment and shared values instead of following traditional managerial control practices and conflict resolution (Kaufman, 2008).

5. Employment Relations Policies and Processes to sustain Functional Employment Relationships

After implementing the head count and flexible strategies to redesign the working arrangement in Pharma site, there is bound be an impact on the employment relationship within the workplace. In this context, the management must think of restoring effective functional employment relationships by hearing employee voice and resolving the conflicts. It is also important to understand the detrimental implications of the proposed organisational change and use the phenomenon of psychological contract to limit any potential damage to employment relationship. This calls for tactical HR strategies on the part of the management to address various key issues relating to employment relationships.

5.1 Processes of Employee Voice and Resolving Conflicts

In order to achieve the desired objective of sustaining functional employment relationships, the management of Pharma site must ensure that there is effective communication with the employees, since communication has a significant place in applying the unitarist perspective. The management must provide periodical feedback to the employees about their performance, and in addition, the employees must also have adequate knowledge about the aims and objectives of the organisation (Cole, 1995). Effective communication will help in enhancing mutual understanding between employees and the managers and will also contribute to building of high level of trust (Dale, 2012).

Direct communication between employees and line managers would strengthen the process of re-establishing the trust among the employees and thus would contribute to improved functional relationships. Other actions on the part of the management like equal pay for different cadres of employees and sharing of organisational decisions concerning key HR issues with employees will go a long way in creating a more conducive workplace to the employees. The management may also train the employees to undertake multiple jobs and try job rotation among the employees to keep the conflicts under control. Job rotation among employees is most likely to reduce the level of stress among the employees leading to peaceful working atmosphere. Use of strategies like consulting trade union and the ACAS may also work to reduce the level of conflicts and lead to improved functional employment relationships.

5.2 Detrimental Implications

It is imperative that the management at Pharma site recognises the fact that violation of psychological contract would lead to a distressed emotional state of the employees where the employees may feel they...
are the victims of betrayal and wrongful harm. This emotional state may also result in anger and resentment among the employees which in turn will have a significant negative impact on the functional employment relationships. Such emotional experience of employees may lead to job dissatisfaction and lower organisational commitment which are detrimental to the smooth functioning of the Pharma site. In order to mitigate this situation the management may consider wider participation of workers. While following the policy of wider participation by workers, the management should be careful to ensure that the participation is not superficial in nature with major work processes are being provided following a top-down approach. Such a situation will be detrimental to the organisation, as it will lead to lower employee satisfaction levels instead of contributing to increase it (Chan et al. 2006). The management may consider using psychological contract to limit the likely damages resulting from detrimental impact of the changes in employee work design and structure.

5.3 Using Psychological Contract to limit Damages

In order to sustain the functional employment relationship in the Pharma site, it is suggested that the management adopts the unitarist approach. The core theme of unitarist approach is that there is only one source of leadership and it is possible to avoid conflicts in the organisation by properly aligning the interests of individual employees and that of the organisation (Beardwell and Claydon, 2012). Unitarist approach can be found embedded in the emphasis on psychological contract, which underpins the existence of obligations, promises, and expectations that are believed to be implicitly made by both individual employees and the organisation. When Pharma site can manage the psychological contract well, it can expect enhanced organisational commitment, which is one of the fundamental elements of unitarist approach (Armstrong, 2009). Various empowerment and participation approaches in managing the workplace will make the individual employees feel that they have wider power to control their work processes and the outcomes of their efforts (Van Buren et al. 2011). Some of the tools which would help the management of Pharma to involve the employees include quality circles, suggestion schemes, and promotion of teamworking. Use of these mechanisms are considered necessary in view of the fact that Pharma site can expect increased employee creativity and innovation only through involving them more in the work processes. As an immediate step, the management may try to foster increased employment relationship by focusing on providing financial incentives and shared ownership so that the possibilities of integrating the interests of employees and the organisation can be improved (Guest and Peccei, 2001).

The management has to consider the importance of making good any breach to the psychological contract committed by it. This becomes important because any breach or violation of psychological contract will have a negative impact on the trust on the employer (Atkinson, 2007). Building trust will lead to enhanced employee commitment which in turn will result in higher productivity. Therefore, management actions taken with a view to remedy the breach or violation of psychological contract have far reaching effect not only on building employee trust but also on the organisational performance. Guest and Conway (2002) observe that employees’ sense of fairness and trust forms the basis of the psychological contract. The management must ensure fairness in the application of rules, regulations and disciplinary proceedings. Fairness must also be exhibited in the performance appraisal, promotions and redundancy procedures (Sparrow and Cooper, 2003). Trust and belief in fairness characterise relational psychological contracts and such contracts can ensure employee commitment. Management must ensure that it keeps up its promises which it has made to make good any breach or violation of psychological contract. These promises may relate to work-life balance, opportunities to learn new skills or any other additional benefits. At the same time the management must also be careful that it does not overpromise financial or other benefits which it cannot provide as remedies to breach or violation of psychological contract.
As a matter of policy, the management of Pharma must shift its focus on people more than the tasks involved so that positive employment relationship-centric policies and actions can follow. This calls for a complete change in the leadership style of top management at the Pharma site that puts effective employment relationship in focus rather than maximising the returns from the site. Apart from changes in the leadership style, ensuring effective and positive employment relationship also requires a change in the organisational culture which must represent a humanistic culture.

6. Conclusion

Theory suggests that in a number of cases flexibility models are introduced with little consideration to the core of the workforce and consequently will have serious implications on employee commitment (Hudson, 2002; Claydon, 2004). As a part of this work, it is recommended that flexible work practices including functional, temporal and numerical working routines may be introduced to reduce the staff cost and to enhance the productivity of the employees. While functional flexibility is expected to increase employee satisfaction and productivity levels in addition to ensuring versatility within the workplace, its success is stated to be dependent upon the work amplification and the ability of the management to exert control over the employees. Therefore, to the extent that the management of Pharma is able to exercise control on the remaining and newly appointed employees will decide the success or otherwise of functional flexibility, if adopted by the Pharma site. Temporal flexibility will help the Company to reduce unproductive time and can offer better work-life balance for the employees of Pharma. Numerical flexibility will be difficult to adopt because of the legal implications involved in dismissing the employees. It is for the management of Pharma to consider the relative strengths and weaknesses of the three flexibility measures and adopt the suitable one. According to Morrison (1994), any organisational change would lead to alterations in the existing relationship and thus creates the need for new psychological contract. Employee involvement, effective communication, integration of individual and organisational objectives, and wider participation and empowerment of employees are suggested as measures to sustain the functional employment relationships. It needs to be recognised that both transformational and transactional leadership have positive association with psychological contract (Waldman et al. 2006; Bass & Riggio, 2006). Therefore, change in the organisational culture and leadership style and more focus on people rather than tasks is to be considered as a means for improving the functional employment relationships.

7. References


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