THE NEED FOR CAPACITY BUILDING IN HUMAN RESOURCE MANAGEMENT RELATED ISSUES: A CASE STUDY FROM THE MIDDLE EAST (LEBANON)

Lara El Mouallem BE Eng., MSc
Farhad Analoui PhD
University of Bradford, Bradford, UK

Abstract
The remarkable evolution in the twentieth century has been a result of a new perspective in understanding the importance of investing in individuals and organizational human resources, and the implementation of capacity building strategies in various organizations and in societies. This paper explores the case of ICO, an international consultancy organization, based in the Middle East, specialized in architecture, engineering, planning, environment and economics. This qualitative study, using thirteen selected semi-structured interviews, observations, and secondary data, has been conducted in the Beirut design office of the organization. The paper aims to examine major human resource related capacity building themes in ICO which include employee involvement and motivation, recruitment and selection, in addition to performance appraisal and reward management.

Keywords: Capacity building, performance appraisal, reward management, employee involvement, motivation, human resource management

Introduction
Capacity can be defined as the ability of humans, institutions and societies to perform successfully, to identify and reach their goals, and to change when necessary for sustainability, development and advancement purposes (Ubels et al., 2010). Capacity development is considered an endogenous dynamic process that relies on one’s motivation, effort, and perseverance to learn and progress (Lopes and Theisohn, 2003) which enables organizations to change, flourish and grow. Some of the major capacities that enhance growth include leadership development and knowledge networking (Lopes and Theisohn, 2003).

The European Centre for Development Policy Management (ECDPM) explains its perspective on capacity based on five core capabilities namely “capability to act and self-organize, capability to generate development results, capability to relate, capability to adapt and self-renew, and the capability to achieve coherence” (Fowler and Ubels, 2010, pp. 18-21). Capacity development is very much related to the ways organizations operate (Fowler and Ubels, 2010). Culture bears an understanding of the way an organization operates, its procedures, beliefs and values; it is usually affected by the people employed in it, the past incidents, present influences, and the type of work it undergoes (Handy, 1999). New skills, competencies, and training are important features to be acquired in an organization for capacity development; material resources such as equipment and capital assets are also imperative for this purpose (Fowler and Ubels, 2010). Capacity development and its impacts should be continuously assessed in an organization, so that existing gaps could be filled to ensure constant progress. Disregarding capacity building programs would probably lead to lack of growth and possible failure.

This paper is based on a detailed case study of an international consultancy organization (ICO) located in Lebanon. The aim is to explore the extent to which capacity
building processes have been used to enhance human resources aspects (functions) of the organization and activities. To achieve this aim, first, the scope of the study and approaches to capacity building, namely traditional and modern approaches, will be discussed. Then, structure and culture of the ICO will be briefly presented. This will be followed by a more detailed discussion of the main functions of HRM in ICO including performance appraisal, employee involvement, recruitment, selection and retention. Finally, the main findings of the study will be presented and the relevant conclusions will be researched.

**Scope of the study**

This study is primarily based on thirteen targeted semi-structured interviews; these include eight employees and five line managers in the head office in Lebanon. Thus the study employs the exploratory case study research design (Yin, 2003). The researchers conducted one to one semi-structured interviews and made their discontinued observations over a period of 12 months; hence they generated primary data and collected available secondary data (information) to make sense of the activities and practices of the organization to prepare the present study - a case study. Following collection of the data, the data generated using semi-structured interviews were subjected to "thematic analysis". This resulted in identification of three interrelated themes. These themes are discussed in some detail in the discussion part of the paper.

Case studies are very often used in research concerning management and have become very common in business topics (Gummesson, 2000; Yin, 2003). According to Gummesson (1991, 2000), case study research can be implemented to reach either general conclusions from a few cases, specific conclusions from a single case, or to produce a theory from various cases and bring about some sort of change. In a case study research, data collection is usually broad and is derived from various sources of information such as interviews, observations, and documents or official publications (Yin, 1994). The exploratory method type applied in this research, which is normally used in business studies, involves the use of an experimental study in order to arrive at new hypotheses or more specific research questions (Gummesson, 2000).

**Approaches to capacity building: an overview**

Not surprisingly, the classical principles of management focus on principles for enhancing productivity and increasing efficiency by designing a coherent organization structure (Mullins and Christy, 2010). Emphasis is placed on the division of work, and designation of responsibilities and duties for promoting the functional principle (Mullins and Christy, 2010). Personnel management is one of the significant principles incorporated in traditional organizations, whereby training and development programs, welfare programs, salary incentive programs, and upgraded working conditions are implemented (Analoui, 1999; Pindur et al., 1995). Higher work output and above average performance is measurable and awarded with higher wage rates as a motivation incentive, since it is assumed that the employee’s only purpose is to increase his/her income (Pindur et al., 1995; Kakabadse et al., 1988). Coordination between management and staff is considered crucial for improving productivity in terms of quality and quantity (Mullins and Christy, 2010). The role culture is a dominant feature in classical organizations, whereby the emphasis is mainly concentrated on the tasks allocated by senior management; the activities are well coordinated and planned (Handy, 1999). From this perspective, the organizational structure is a formal hierarchy characterized by an authoritarian leadership style where the primary focus is on the organization and its needs; interaction is only vertical and knowledge exists at the top management level (Pindur et al., 1995; Mullins and Christy, 2010). It’s obvious here that organizational capacity development is supported through these classical management
processes since they focus on improving organizational operations and promote division of tasks. However, these processes do not advocate organizational learning, development of employee skills, job satisfaction, social interactions and effective communication among all hierarchy levels which are essential for human capacity building.

The management process in modern organizations characterized by their open systems (Analoui, 1999, 2007), is considered a circular continuous cycle consisting of people working in groups aiming to reach specific objectives and focusing on human relations/behaviours and social needs (Pindur et al., 1995; Mullins and Christy, 2010). Employees perform better and are more satisfied when they are treated by senior managers as people, and when their innovative ideas are taken into account and encouraged by the senior managers (Kakabadse et al., 1988). The open system is more prevalent (Analoui, 1999) in modern organizations; it involves an informal structure where tasks are non-monotonous, knowledge exists at all levels of the organization, and interaction among employees is vertical and horizontal (Pindur et al., 1995). Communication can be both formal and informal; informal communication encourages different departments and hierarchy levels to interact more easily and share knowledge, and it is especially useful for team building (Analouei, 1999). Organizations can be informal and flexible, thus characterized with more efficient communication and somewhat indeterminate relationships (Mullins and Christy, 2010).

Human capacity building is mainly enhanced by encouraging the participation of employees in decision making and by maintaining close relationships with the employees (Pindur et al., 1995). Senior managers in modern organizations advocate human capacity building through development of employees’ professional skills and promotion of teamwork (Pindur et al., 1995). This is enhanced through the applied leadership style which is considered democratic; hence the power is more widespread (Mullins and Christy, 2010). The task culture is mostly incorporated in modern management organizations which sponsor change and adaptation; it is characterized by being a team culture where an employee can exercise more control over his/her work (Handy, 1999). Professionalism, respect and good relationships thrive in this type of culture (Handy, 1999). Effective communication and coaching from the senior managers to their subordinates can promote knowledge sharing, organizational learning, and effective leadership capacity building (Roddy, 2004). Continuous feedback and performance appraisal by senior managers are important for the employees’ performance enhancement and motivation (Keegan and Den Hartog, 2004).

Whilst the above characterizes the extreme position for the organizations and their effort and contribution to capacity development, nevertheless, they can provide a dichotomy for better understanding of the ICO position and philosophy to employee management and its capacity building as a whole.

**International consultancy organization: a case study**

**Description of ICO organization**

The company was founded in 1956, and is one of the world’s well known international design consultancies in the world. It started its operations as a small engineering practice in Beirut, and gradually gained recognition as a young and innovative company. Focusing mainly on design of infrastructure, public facilities, housing and industrial plants, ICO managed to obtain international reputation and widened its area of services. In a few decades, ICO expanded into a full-service firm providing master planning, architecture, engineering and economic services. The company has eleven technical departments which include mechanical and industrial engineering, electrical engineering and telecommunications, resources and environment, transportation, town planning and landscaping, architecture, structural engineering, geotechnical and marine engineering, bridges, economics as well as project management and contracts. Other departments consist of the human resources, quality
management, and the information technology departments. Since the 1970s, the company expanded geographically and now has headquarters in Asia, Europe, Middle East and Africa. The firm also diversified geographically and acquired organizations in North America, Asia, and Europe. Therefore, “the company is now considered to have multidisciplinary services in a very wide geographic area” (ICO Employee Handbook, 2012).

Organization structure
ICO has over 6300 employees located in offices throughout the Middle East, Europe, CIS and Asia. It has established the ICO Group, an international network of professional service firms that includes 12,000 staff members, with clients in over 100 countries around the world. ICO is characterized by having a hierarchical structure and a specific grading system for its employees. Its grading structure ranges from grade P1 to grade P6; grade promotion basically depends on the employee’s years of experience and the employee achievement and development review (ICO Employee Handbook, 2012).

Organization Culture and Values
The dominant company culture can best be described as a combination of task and role cultures (Handy, 1999) with emphasis on position rather than individual and the need for commitment on the part of the employees to the work, people and global concerns; it strives to build relationships between the company and its clients which are based on trust, honesty, integrity and pride. The values on which ICO Group relies are centred on transparency, results and high standards. These values include commitment to clients as well as commitment to excellence and quality through the development and implementation of a Quality Management System; in addition ICO as a Group recognises its obligations to social responsibility through the relationships the organization builds with governments, citizens and communities by equitable employment practices and community involvement (ICO Employee Handbook, 2012). In the remaining part of the paper, three main human resources functions of the company will be examined in more detail.

Performance appraisal at “ICO”
Achievement and Development Review (ADR)
Employee performance appraisal, mainly an evaluation process, is based on the achievement and development review (ADR). The ADR consists of an assessment of an employee’s technical and behavioural proficiencies, in addition to a development action plan which the employee sees appropriate for him/her; technical skills demonstrate the technical qualifications in the area of specialty (e.g. technical ability and continuous learning, productivity and achievements, special technologies) while behavioural competencies relate to the employee’s personal behavior towards the company and the work (e.g. communication skills, teamwork, leading ability, dedication and commitment). The development action plan is derived directly from the employee’s objectives (projects, tasks, etc.), technical skills and behavioural competencies (See Table One).

The ADR goes through the following statuses:

<table>
<thead>
<tr>
<th>Initiated</th>
<th>Evaluation has been initiated by HR dept.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submitted to evaluator</td>
<td>Employee submits the evaluation to his/her main evaluator.</td>
</tr>
<tr>
<td>Returned to evaluator</td>
<td>Evaluation returned by main evaluator for correction.</td>
</tr>
<tr>
<td>Finalized</td>
<td>Main Evaluator finishes the evaluation and submits it to employee for checking.</td>
</tr>
<tr>
<td>Submitted to HR</td>
<td>Evaluation has been submitted to HR for revision.</td>
</tr>
</tbody>
</table>

The company uses the following “performance-rating guide” (See Table Two):

<table>
<thead>
<tr>
<th>Rating</th>
<th>Sub-Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td></td>
<td>Objectives are fully achieved on a continuous basis which significantly surpasses job duties and responsibilities. Employee is highly innovative, often initiates improvements, and basically functions without guidance.</td>
</tr>
<tr>
<td>(4.5/5 and above)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proficient</td>
<td>High Proficiency</td>
<td>Objectives are achieved which often exceed job duties and responsibilities. Employee is innovative, initiates improvements, and requires minimal supervision.</td>
</tr>
<tr>
<td></td>
<td>(between 4/5 and 4.4/5)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Proficiency</td>
<td>Objectives are achieved and may exceed job duties and responsibilities. Employee occasionally initiates improvements and requires a moderate amount of supervision and follow-up.</td>
</tr>
<tr>
<td></td>
<td>(between 3/5 and 3.9/5)</td>
<td></td>
</tr>
<tr>
<td>Unsatisfactory</td>
<td></td>
<td>Objectives are often not achieved. Employee does not initiate improvements, requires considerable and frequent direction. Work consistently performed without improvement will result in performance improvement plan, reassignment, or outplacement.</td>
</tr>
<tr>
<td>(2.9/5 and below)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


**Performance Appraisal and Reward Management**

The ADR is required to be completed by the employee, and is based on the employee’s perception of his/her development and progress. The ADR comments prepared by the employee for each category are assessed and reviewed separately by the project manager/head of design unit (Line Managers) and soon after that the department director. Alarmingly, no constructive or professional dialogue/feedback is conducted between the project manager/head of design unit or director and the subordinate employee. It is reported by employees that,

“...the ADR is not taken seriously as a means of performance evaluation.” (Interview No. 12)

An employee commented,

“Performance rating and evaluation is not very clear regarding its relation with the promotion scheme, whereby an employee might get promoted for vague reasons that is often unfair to other employees.” (Interview No. 7)

The researcher also observed that the department director who distributes bonuses and salary increases to the employees is not much aware of the employees’ work performances. Another experienced employee stated,

“In one of the reward distribution occasions at ICO, a department director praised an employee for his remarkable performance due to the substantial bonus the employee received; two weeks later while allocating the salary increase notifications, the director criticized the same employee he acclaimed two weeks earlier for ineffective performance.” (Interview No. 4)

In modern organizations, goals related to the organization’s objectives and projects’ aims should be clearly set for employees in order to be effectively appraised according to these goals and criteria, and then given the feedback and comments for improving their performance (Lewis, 2006; Redman, 2006). Performance management systems are usually comprised of a systematic review procedure which detects the progress attained and consequently specifies the training and developmental needs of the employee being appraised.
as well as the rewards to be gained (Redman, 2006). It is therefore imperative to note that effective job performance is based on both motivation and skill; skill can be enhanced further through the provision of appropriate training and development (Newell, 2006; Analoui, 2007). Motivation on the other hand depends greatly on the person’s attitude and principles, as well as the behaviour and beliefs of the people who are interacting with him/her (Analoui, 1997; Newell, 2006).

Reward strategies play a major role in maintaining a ‘sustained competitive advantage’ (Kessler, 2001; Analoui, 2007). Reward systems ensure the accomplishment of fundamental Human Resource Management (HRM) goals such as commitment and quality, and aim at creating high performance organizational cultures (Armstrong, 2010; Bratton and Gold, 1999). Appealing reward systems are known to draw the attention of highly experienced people, and can also decrease turnover rates in an organization (Bratton and Gold, 1999). Both financial and non-financial rewards are required in an organization’s reward system (Lewis, 2006). Non-financial rewards such as recognition, appreciation, accountability, and personal development are considered significant motivational factors for employees; these targets can be achieved through more challenging work, job enrichment, more employee involvement, greater autonomy for employees to select their own approach to complete their work and to set their developmental goals and requirements, as well as defining their performance standards (Lewis, 2006).

At ICO, it is observed that higher bonuses are granted to people who “do more overtime hours”, without considering the employee’s effectiveness and efficiency. In one case, it was reported that an engineer with P3 grade, was given only 1 month salary as bonus (employees in this grade usually receive 3 to 4 month salaries as bonuses). The discontented female employee commented,

“I completed my tasks within the working hours, so as to save some time for my personal life and family. When I approached the department director and asked why I received a relatively low bonus, he replied, ‘the main reasons are that I don’t know how effective you are or the type of work you do, in addition to the fact that you don’t put overtime hours.’” (Interview No. 5)

Another employee said,

“It is obvious that the department directors do not do their jobs properly…they do not evaluate their staff’s achievements appropriately.” (Interview No. 3)

Interestingly, it was observed that employees have learnt to demonstrate their effectiveness and efficiency by staying overtime; a line manager suggested,

“Unfortunately, the majority of staff at ICO waste a big fraction of their working hours by not being productive, in order to work during their overtime hours and consequently get higher bonuses. In a way, the company’s reward management system is promoting inefficiency, incompetence and lack of productivity.” (Interview No. 11)

**Employee involvement and motivation**

The lack of employee motivation at ICO is partly due to the fact that project engineers, mainly classified as P1 and P2 grades, are not involved early enough in the projects, especially at the planning and data collection stages. Also, they are very often not invited to attend meetings.

As one engineer commented, “Only project managers and team leaders attend these meetings.” (Interview No. 2)

Consequently, there is high turnover rate for junior engineers at ICO. As a line manager explained,

“Managers often cite imminent project deadlines and lack of time as the reasons for not being able to coach and involve their subordinates. The involvement of project engineers
is a crucial aspect for employee commitment and motivation, and leads to better results and improved work quality.” (Interview No. 6)

Employee involvement (EI) is considered an essential HRM practice since it can lead to a high degree of employee commitment through involving and empowering employees (Marchington, 2001; Dundon and Wilkinson, 2006). EI can be implemented through effective communication between the managers and their subordinates, as well as by encouraging employees to be creative and share their ideas with their managers for problem solving (Marchington, 2001; Dundon and Wilkinson, 2006). Therefore, project engineers feel that they ought to attend the meetings and receive the adequate coaching from their line managers/project managers; this is very effective in promoting knowledge transfer (Roddy, 2004).

EI can also be further enhanced through employee participation in a bigger variety of tasks, team working, and financial involvement through the formation of an association between the employee’s rewards and his/her department’s performance (Marchington, 2001; Dundon and Wilkinson, 2006). Employee participation or involvement is also based on the extent of influence employees have on decision-making in an organization, and it can range from just being informed of the decisions made to having an impact or control over these decisions (Dundon and Wilkinson, 2006). For EI to be successful, managers are required to be fully committed to it (Marchington, 2001). As an engineer remarked,

“There is little chance of involvement for the most of us. Often decisions are made and presented to us… we are just implementers.” (Interview No. 1)

High turnover rates suggest that employees are not satisfied with their jobs; this can negatively influence the organization’s image in the market, with respect to the clients and future candidates applying for jobs at the organization, and can imply that the organization’s management is weak (Torrington et al., 2005).

Due to high turnover rates at ICO, employee retention is deemed essential; this is basically achieved through six major avenues which are “pay, managing expectations, induction, family-friendly HR practices, training and development, and improving the quality of line management” (Torrington et al., 2005, p. 171). Knowledge networking can be promoted through effective communication and mentoring from the line managers/project managers to their subordinates (Roddy, 2004). An experienced line manager commented,

“Meetings of the work teams should be held regularly and frequently to review progress, and generate ideas, and suggestions. It is essential to provide the team members with a chance to play a role in the decision making … this would help motivating and encouraging open communication and collaboration among the staff … this is not rocket science.” (Interview No. 9)

This also makes the organization more organic (Gardiner, 2005). It is evident that ICO management needs to realize that the engineer’s needs for involvement and professional development can contribute effectively to the organization’s strategic objectives (Keegan and Den Hartog, 2004). It is reported that organizations which lack competencies and skills among its employees are less likely to introduce innovation and creativity in the workplace (Grugulis, 2006).

**Human resource management recruitment, selection and retention**

The recruitment and selection procedure in an organization usually shows the strategy an organization follows for managing people (Bratton and Gold, 2007). It is reported that ICO is not aware of the costs incurred if candidates are not selected properly; these include the costs of training new employees and the cost of employee turnover. An experienced manager commented,
“.. they [the senior managers] are not aware of the cost of losing trained and experienced employees… every time someone leaves not only some resources are wasted but also more resources are needed to recruit and train the newcomers…if only they were aware of this.” (Interview No. 10)

It was also reported that at ICO the employees with bad experience in the organization tend to discourage potential applicants from applying for vacant posts; as an employee observed, “the management should realize that this whole process could adversely affect the ICO image in the market.” (Interview No. 8)

A line manager revealed that in one incident at ICO, the Human Resources (HR) Department Manager openly said, “Every employee at ICO is dispensable; no one is that exceptional.” (Interview No. 13)

It is evident that the HR department’s responsibility to recognize the potential of current employees and to arrange for the most deserving employees to progress and take on more senior roles for employee retention (Newell, 2006) is not acknowledged.

Conclusion and recommendations

It can be deduced that classical management theories advocate organizational capacity development with the focus being on the organization’s needs and objectives. On the other hand, modern management theories tend to pay attention to the importance of human relations and their psychological social needs. ICO is recognized to be mostly dominated by classical bureaucratic management principles and practices. The major restrictions which are impeding ICO’s organizational and human capacity building processes involve performance appraisal and reward management systems, employee involvement and motivation, as well as human resource management recruitment, selection and retention. Recommendations for addressing these constraints will surely have implications for other similar organizations. These include:

The senior managers require development and training in order to gain more insight and awareness of their managerial effectiveness for enhanced capacity building purposes. Therefore, management development of the senior managers should be planned strategically, in order to enhance their own self-development and self-management.

Transformational leadership should be advocated in the organization, since it can bring about new changes and strategies, and can consequently lead to corporate sustainability and further success. Senior managers need to act more as transformational leaders by motivating and leading their employees to perform better and be creative.

The achievement and development review (ADR), which should be the cornerstone for promoting engineers from one grade to the other and for compensating/rewarding them, has proven to be inefficient in measuring employee performance. It is imperative that employee performance and accomplishments be assessed against set objectives that are predefined for each employee grade or phase in his/her career. The employee at ICO would be better evaluated using a 360 degree appraisal approach, whereby the evaluation committee would be informed by important stakeholders such as the project managers, area managers or coordinators of the various departments, and the clients.

At ICO, rewards should be based on more specific and targeted employee criteria rather than a more holistic approach. This implies that rather than assigning bonuses according to the years of experience, years spent in the company (mistakenly referred to as employee commitment) and overtime hours, other factors should be taken into account such as skills, progress and development, achievements and feedback obtained from all of the involved parties which include the group leaders and the project managers (360 degree appraisal approach). The appraiser ought to be aware of all of these factors in order to be able to reward the employee fairly, and to offer incentive based compensations for more
deserving/outstanding employees. Promotions that require higher work load should be accompanied by the appropriate rewarding policies.

Human resources procedures and systems need to be updated for more effective employee recruitment, selection, and retention, and should include clearer non-biased performance appraisal plans and reward systems. The HR department is required to play a substantial role in achieving the organization’s strategic plans and objectives. Therefore, the HR department should expand to handle additional tasks involving effective recruitment and selection, training and development, as well as being able to provide an adequate support system for employees to address their needs, concerns, and problems/difficulties. It is recommended that a human resources representative be present and actively participate in the board of directors’ monthly meetings.

References:


