

Human Resources Management

Robert L. Mathis | John H. Jackson

Prepared by Dr. Samah Abdelfatah

MGM 243

Lecture 02



Strategic Human Resource Management

Chapter
02

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Learning Objectives

After you read this chapter, you should be able to:

- Explain strategic HR management and how it is linked to organizational strategies.
- Discuss two possible contributors to competitive advantage and how HR contributes to each.
- Define HR planning and outline the HR planning process.
- Describe the means for assessing the external and internal environments of HR management.
- Discuss several ways of managing a surplus and a shortage of human resources.
- Identify why HR metrics must consider both strategic and operational HR measures.

NATURE OF STRATEGY AND HR MANAGEMENT

☐ Strategic Human Resources Management

- Organizational use of employees to gain or keep a competitive advantage against competitors.

☐ Core Competency

- A unique capability in the organization that creates high value and that differentiates the organization from its competition.

STRATEGIC HR MANAGEMENT PROCESS

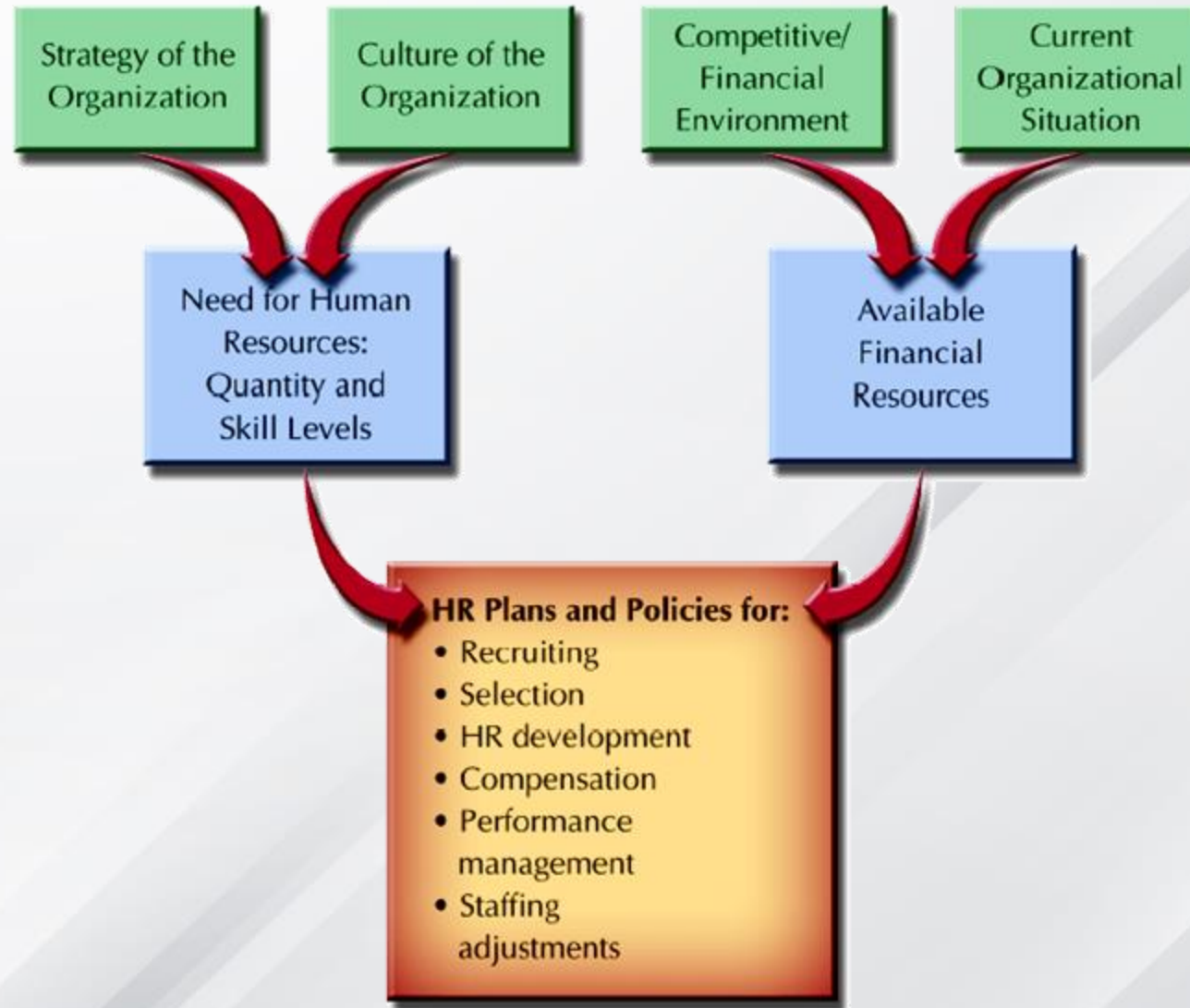


Figure 2-1

STRATEGIC SUCCESS WITH HR PRACTICES

- Studies found companies that follow HR best practices have more than 50% higher market value than those who do not.

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- | | |
|-------------------------------------|---------------------------|
| • Employment security | • Training/cross-training |
| • Selective recruiting | • Promotion from within |
| • High wages/incentives | • Measurement |
| • Information sharing/participation | |

COMMON AREAS FOR HR STRATEGIES

PLANNING

- ♦ Organizational restructuring
- ♦ Job redesign
- ♦ Critical staffing levels
- ♦ Workforce additions/reductions
- ♦ Succession planning

PERFORMANCE ENHANCEMENTS

- ♦ Training and development
- ♦ Productivity/performance management
- ♦ Compensation/benefits review
- ♦ Retention increase
- ♦ Technology systems

FIGURE 2-2

OPERATIONALIZING HR STRATEGY

- How specifically can HR professionals provide the perspective and expertise to be a successful part of the strategic planning process?
 - ✓ Understand the business.
 - ✓ Focus on the key business goals.
 - ✓ Know what to measure.
 - ✓ Prepare for the future.

Using Human Resources As A Core Competency

Some ways in which human resources might become a core competency are through

- Attracting and retaining employees with unique professional and technical capabilities
- Investing in training and development of those employees, and compensating

POSSIBLE HR AREAS FOR CORE COMPETENCIES



FIGURE 2-3

HR-BASED CORE COMPETENCIES

- **Organizational Culture:** The shared values and beliefs of the workforce
- **Productivity:** A measure of the quantity and quality of work done, considering the cost of the resources used. A ratio of the inputs and outputs that indicates the value added by an organization.
- **Quality Products and Services:** High quality products and services are the results of HR-enhancements to organizational performance.

Approaches to Improving Organizational Productivity



FIGURE 2-4

CUSTOMER SERVICE AND QUALITY LINKED TO HR STRATEGIES

- Service quality is greatly influenced by the individual employees who interact with customers.
- For instance, organizations with high employee turnover rates have seen slow sales growth.
- Quality Delivering high-quality services and/or products can significantly influence organizational effectiveness.

HR EFFECTIVENESS AND FINANCIAL PERFORMANCE



- **Effectiveness** for organizations is defined as the extent to which goals have been met.
- **Efficiency** is the degree to which operations are done in an economical manner.

GLOBAL COMPETITIVENESS AND STRATEGIC HR

The globalization of business has meant that more organizations are operating in multiple countries or have foreign operational links to international suppliers, vendors, and outsourced contributors.

TYPES OF GLOBAL ORGANIZATIONS

- **Importing and Exporting** The first phase of international interaction consists of importing and exporting.
- **Multi-national enterprise (MNE)** Organization that has operating units located in foreign countries.
- **Global organization** Firm that has corporate units in a number of countries integrated to operate as one organization worldwide

GLOBAL CULTURAL FACTORS

- **Culture** Societal forces affecting the values, beliefs, and actions of a distinct group of people.

Five dimensions useful in identifying and comparing cultures

- Inequality in power
- Individualism/group orientation
- Masculinity/femininity
- Uncertainty avoidance
- Long-term/short-term orientation

GLOBAL ECONOMIC FACTORS

- Economic factors are linked to political, legal, and cultural issues, and different countries have different economic systems. In many developed countries, especially in Europe, employment restrictions and wage levels are high.

HUMAN RESOURCE PLANNING

- **Human Resource (HR) Planning**
 - The process of analyzing and identifying the need for and availability of human resources so that the organization can meet its objectives.
- **HR Planning Responsibilities**
 - Top HR executive and subordinates gather information from other managers to use in the development of HR projections for top management to use in strategic planning and setting organizational goals

Typical Division of HR Responsibilities in HR Planning

HR Unit	Managers
• <i>Participates in strategic planning process for entire organization</i> • <i>Identifies HR strategies</i> • <i>Designs HR planning data systems</i> • <i>Compiles and analyzes data from managers on staffing needs</i> • <i>Implements HR plan as approved by top management</i>	• <i>Identify supply-and-demand needs for each division/department</i> • <i>Review/discuss HR planning information with HR specialists</i> • <i>Integrate HR plan with departmental plans</i> • <i>Monitor HR plan to identify changes needed</i> • <i>Review employee succession plans associated with HR plan</i>

FIGURE 2-5

HUMAN RESOURCE PLANNING (CONT'D)

- **Small Business and HR Planning Issues**
 - Attracting and retaining qualified outsiders
 - Management succession between generations of owners
 - Evolution of HR activities as business grows
 - Family relationships and HR policies

HR PLANNING PROCESS

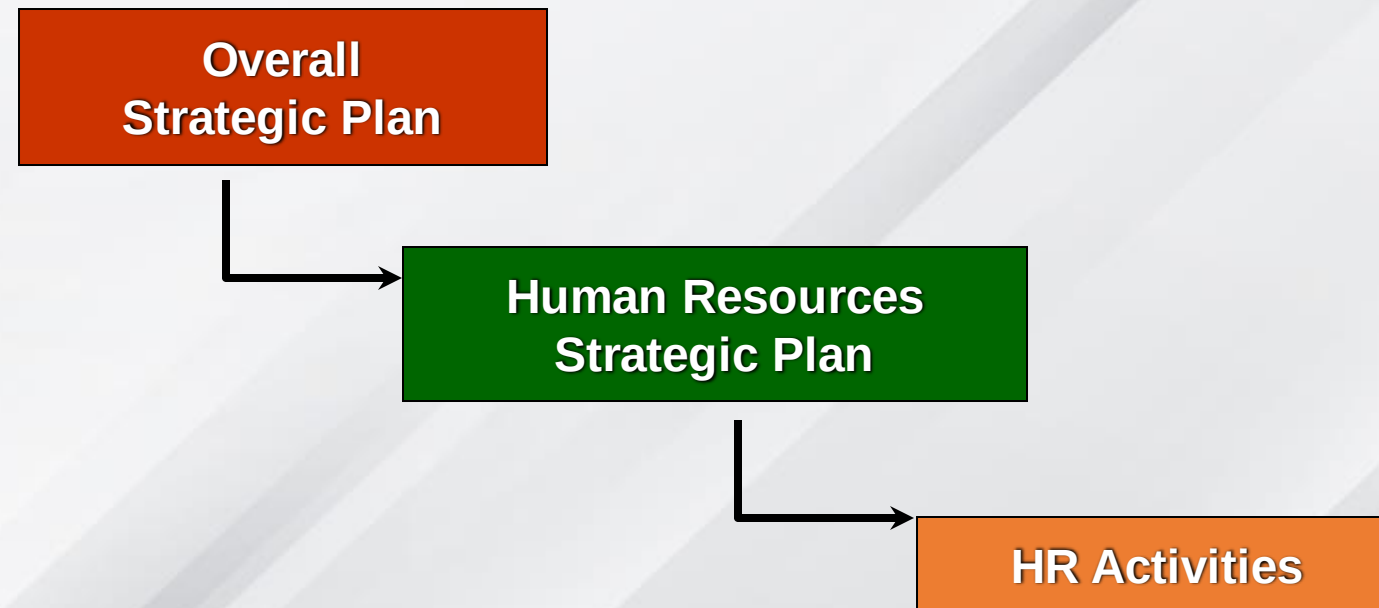


FIGURE 2-6

HR PLANNING PROCESS

- **HR Strategies**

- The means used to anticipate and manage the supply of and demand for human resources.
 - Provide overall direction for the way in which HR activities will be developed and managed.



BENEFITS OF HR PLANNING

- Better view of the HR dimensions of business decisions
- Lower HR costs through better HR management.
- More timely recruitment for anticipate HR needs
- More inclusion of protected groups through planned increases in workforce diversity.
- Better development of managerial talent

Scanning The External Environment

➤ Environmental Scanning

- The process of studying the environment of the organization to pinpoint opportunities and threats.

➤ Environment Changes Impacting HR

- Governmental regulations
- Economic conditions
- Geographic and competitive concerns
- Workforce composition

Internal Assessment Of The Organizational Workforce

➤ Auditing Jobs and Skills

- What jobs exist now?
- How many individuals are performing each job?
- How essential is each job?
- What jobs will be needed to implement future organizational strategies?
- What are the characteristics of anticipated jobs?

Internal Assessment Of The Organizational Workforce

➤ **Organizational Capabilities Inventory**

- **HRIS databases**—sources of information about employees' knowledge, skills, and abilities
- **Components of an organizational capabilities inventory**
 - Workforce and individual demographics
 - Individual employee career progression
 - Individual job performance data

Forecasting HR Supply and Demand

Forecasting

- The use of information from the past and present to identify expected future conditions.

Forecasting Methods

○ Judgmental

- Estimates—asking managers' opinions, top-down or bottom-up
- Rules of thumb—using general guidelines
- Delphi technique—asking a group of experts
- Nominal groups—reaching a group consensus in open discussion

Forecasting HR Supply and Demand

Forecasting Methods (cont'd)

○ Mathematical

- Statistical regression analysis
- Simulation models
- Productivity ratios—units produced per employee
- Staffing ratios—estimates of indirect labor needs

○ Forecasting Periods

- Short-term—less than one year
- Intermediate—up to five years
- Long-range—more than five years

Estimating Internal Labor Supply for a Given Unit

Current Staffing Level	−	Projected Outflows This Year	+	Projected Inflows This Year	=	Unit's Internal Supply for This Time Next Year
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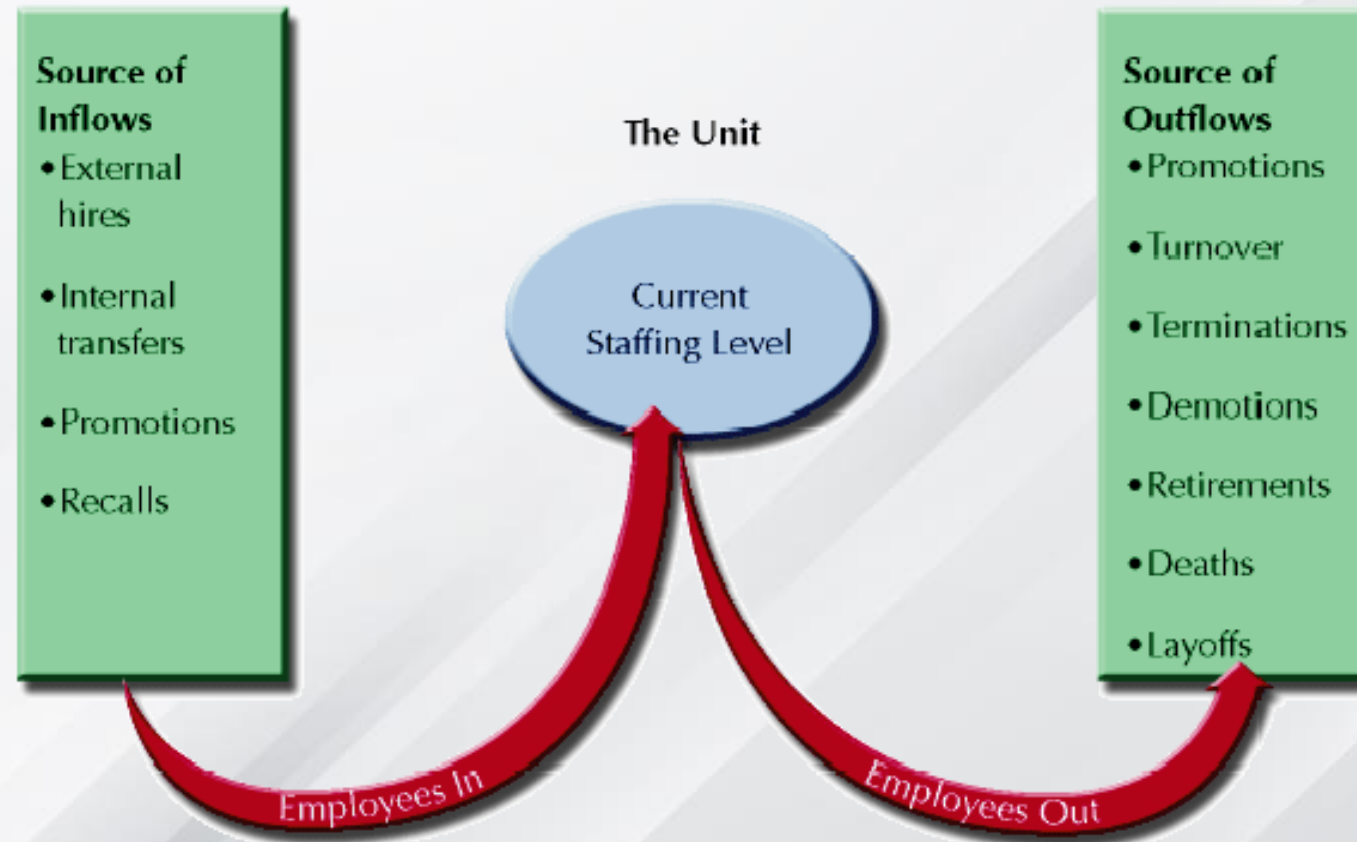


FIGURE 2-7

Managing Human Resource Surplus Or Shortage

Chapter

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- **Workforce Realignment**

- “Downsizing”, “Rightsizing”, and “Reduction in Force” (RIF) all mean reducing the number of employees in an organization.
- **Causes**
 - Economic—weak product demand, loss of market share to competitors
 - Structural—technological change, mergers and acquisitions

Managing Human Resource Surplus Or Shortage

- **Workforce Realignment (cont'd)**
 - **Positive consequences**
 - Increase competitiveness
 - Increased productivity
 - **Negative consequences**
 - Cannibalization of HR resources
 - Loss of specialized skills and experience
 - Loss of growth and innovation skills
 - **Managing survivors**
 - Provide explanations for actions and the future
 - Involve survivors in transition/regrouping activities

Managing Human Resource Surplus Or Shortage

- **Downsizing approaches**
- **Attrition and hiring freezes**
 - Not replacing departing employees and not hiring new employees.
- **Early retirement buyouts**
 - Offering incentives that encourage senior employees to leave the organization early.
- **Layoffs**
 - Employees are placed on unpaid leave until called back to work when business conditions improve.
 - Employees are selected for layoff on the basis of their seniority or performance or a combination of both.

Managing Human Resource Surplus Or Shortage

- **Downsizing approaches (cont'd)**
 - **Outplacement services provided to displaced employees to give them support and assistance:**
 - Personal career counseling
 - Resume preparation and typing services
 - Interviewing workshops
 - Referral assistance
 - Severance payments
 - Continuance of medical benefits
 - Job retraining

Assessing HR Effectiveness

- **Diagnostic Measures of HR Effectiveness**
 - HR expense per employee
 - Compensation as a percent of expenses
 - HR department expense as a percent of total expenses
 - Cost of hires
 - Turnover rates
 - Absenteeism rates
 - Worker's compensation per employee

Assessing HR Effectiveness

- **HR Audit**

- A formal research effort that evaluates the current state of HR management in an organization
- **Audit areas:**
 - Legal compliance (e.g., EEO, OSHA, ERISA, and FMLA)
 - Current job specifications and descriptions
 - Valid recruiting and selection process
 - Formal wage and salary system
 - Benefits
 - Employee handbook
 - Absenteeism and turnover control
 - Grievance resolution process
 - Orientation program
 - Training and development
 - Performance management system

Using HR Research For Assessment

- **HR Research**

- The analysis of data from HR records to determine the effectiveness of past and present HR practices.

- **Primary Research**

- Research method in which data are gathered first-hand for the specific project being conducted.

- **Secondary Research**

- Research method using data already gathered by others and reported in books, articles in professional journals, or other sources.

HR Performance and Benchmarking

- **Benchmarking**
 - Comparing specific measures of performance against data on those measures in other “best practice” organizations
- **Common Benchmarks**
 - Total compensation as a percentage of net income before taxes
 - Percent of management positions filled internally
 - Dollar sales per employee
 - Benefits as a percentage of payroll cost

SUMMARY

- **Nature Of Strategy And HR Management**
- **Strategic HR Management Process**
- **Common Areas For HR Strategies**
- **Operationalizing HR Strategy**
- **Using Human Resources As A Core Competency**
- **Approaches To Improving Organizational Productivity**
- **Global Competitiveness And Strategic HR**
- **Human Resource Planning**
- **Managing Human Resource Surplus Or Shortage**
- **Assessing HR Effectiveness**



Thank You