

Human Resources Analytics

Prepared by Dr. Samah Abdelfatah

HRM 623

Lecture 03



SCAN THE MARKET, MANAGE THE RISK

Chapter
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MAIN TOPICS



Environmental Scan— The Big Picture—The Value of Statistical Analysis—The Importance of Risk Assessment—The Employee Value Proposition

ENVIRONMENTAL SCAN

An environmental scan studies all forces external to an organization that are relevant to its operation. HCM:21 also looks internally at situations that may need reconfiguring in the new term. The key question a scan answers is: **What is going on outside and inside that might affect future operations?**

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P

- Government policy
- Political stability
- Corruption
- Foreign trade policy
- Tax policy
- Labour law
- Trade restrictions

E

- Economic growth
- Exchange rates
- Interest rates
- Inflation rates
- Disposable income
- Unemployment rates

S

- Population growth rate
- Age distribution
- Career attitudes
- Safety emphasis
- Health consciousness
- Lifestyle attitudes
- Cultural barriers

T

- Technology incentives
- Level of innovation
- Automation
- R&D activity
- Technological change
- Technological awareness

E

- Weather
- Climate
- Environmental policies
- Climate change
- Pressures from NGO's

L

- Discrimination laws
- Antitrust laws
- Employment laws
- Consumer protection laws
- Copyright and patent laws
- Health and safety laws

How to Do a SWOT Analysis

Internal

Strengths

- What do we do well?
- What have our customers or partners told us they like about us?
- In what areas do we outpace our competitors?
- What's unique about our business, products, or services?
- What assets do we own (Intellectual property, proprietary technology, capital)?

Weaknesses

- What can we improve?
- What are our customers or partners dissatisfied with?
- Where do we fall behind our competitors?
- Where are we lacking in knowledge or resources?

External

Opportunities

- What emerging trends can we take advantage of?
- Which of our strengths might be valuable to potential partners?
- What adjacent markets might we tap into?
- Are there geographic locations with less competition?

Threats

- What is our competition doing?
- How could our weaknesses leave us vulnerable?
- What market trends are we unprepared for?
- What economic or political issues could impact our business?

Positive

Negative

A true scan, however, is both wide and deep. It is not confined to one aspect of the external environment, such as labor *demographics* or *economic* trends. The intent is to find something useful, not just collect information that confirms current or past beliefs.

Environmental scanning

consumption distribution reaction regulations forecasting
 enterprises stability political
 identified scanning shift
 competition representing age continuous decisive environmental
 labeling expectation interpretation supply examined monitoring events power delivery approach
 assessment oriented macro safety cooperation
 suppliers contributes forerunners social steering
 settled
 labor competitiveness adopted
 systems liquidations controlled break defined education society
 factor competitiveness labor
 global definition trend design
 temporary analyzed process
 environment intermediate associations technological transport segmentation
 delay
 requirement nutrition agents
 micro describe
 sector layout
 consumerism expectancies
 business phenomenon
 component organisation
 paradigm state
 innovation industry infrastructure
 refers
 disposal norms competitors external analysis
 structural
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 structural

THE BIG PICTURE

- Predictive management executes a strategic scan of the external forces and internal factors that can affect the ***three fundamentals of an organization***:

Human capital

- employees

Structural capital

- patents and copyrights, software programs and codified processes, physical facilities and equipment

Relational capital

- knowledge and contacts you have with external stakeholders, which includes everyone who is touched by your organization

THE EXTERNAL FORCES :

Industry trends	Customer demands and interests
Competitors	Supplier capacity
Brand reputation	Materials quality, prices, and availability
Technological advancements	Labor supply
Regulations and laws	Job applicants
Regional, national, and global economic situation	Educational institutions
Globalization demands	Stockholders

THE INTERNAL FORCES :

Vision	Facilities and equipment
Values	Product life cycles
Culture	Employee brand awareness
Leadership	General turnover levels
Management wisdom	Skills and capability levels
Mission-critical retention rates	Financial capability
Engagement levels	Ability to enter new markets
Quality, innovation, productivity, service (QIPS) levels	

MATRIX, FOR A STRATEGIC SCAN OF AN ORGANIZATION'S ENVIRONMENT

- **Figure 3.1** is an outline or template, in the form of a matrix, for a strategic scan of an organization's environment. It is not all-inclusive; in practice, the list of forces and factors that management generates can be much larger

Figure 3.1. Template for a strategic scan.

Organizational Capital	Human	Structural	Relational
External Forces			
Labor supply	Acquire and retain	Remodel workspaces	Find new contacts
Economy	Incent service	Sell off real estate	Retain customers
Globalization	Find new people	Reorganize	Expand suppliers
Regulations	Modify benefits	Go green	Lobby government
New technology	Train staff	Invest in equipment	Update customers
Competitors	Research new knowledge	Design new products	Speed to market
Internal Factors			
CEO's vision	Translate for employees	Make new signs/forms	Advertise in market
Culture	Employee branding	Protocol review	Talk to customers
Brand	Describe to employees	Design facilities	Marketing materials
Capabilities	Facilitate/support	Upgrade processes	Sell competence
Leadership	Survey employees	Review span of control	Visit customers
Finances	Control new hires	Manage expenses	Curtail travel

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THE VALUE OF STATISTICAL ANALYSIS

- The value of analysis is in the patterns in data that it uncovers.
- These patterns are not readily apparent in standard reviews and reports.
- Hence, analytics is more about structure and logic than about statistical procedures.



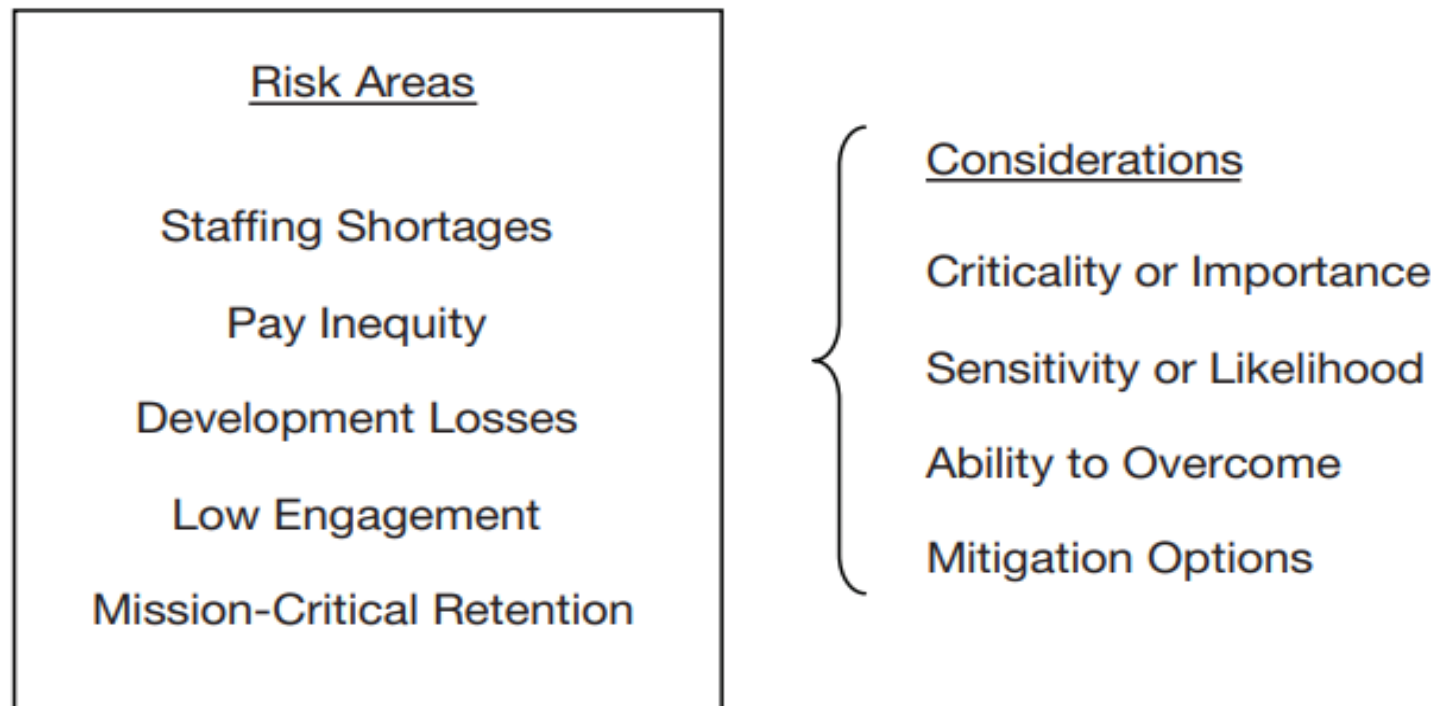
THE IMPORTANCE OF RISK ASSESSMENT

- Risk is a central element in any kind of planning
- human capital planning must now include risk assessment
- Risk assessment has three steps.



At The Corporate Level, Examples Of Potential Risks Could Be Immediate

Figure 3.2. Sample HR risk assessment.



SECOND STEP :RATING RISKS

RISK MATRIX



RISK MATRIX EXAMPLE



THIRD :MITIGATING RISKS

From importance and likelihood, you decide how to mitigate the effects of those risks.

For example, how will you handle the following?

- ✓ Avoid the risk by postponing or not implementing something—or just wait?
- ✓ Transfer the risk to a third party—in which case, who could do it better?
- ✓ Reduce risk by introducing controls, but how and what controls?
- ✓ Accept the risk if the cost outweighs the benefit—but how to balance the situation?
- ✓ Capitalize on an unexpected positive result—or how best to stay agile
 - ***The task is to develop a risk-mitigation plan that prepares you ahead of any problem's arrival.***

THE EMPLOYEE VALUE PROPOSITION

EMPLOYEE VALUE PROPOSITION is the unique set of benefits and experiences a company offers to attract and retain talent.

- While measuring the people practices of an organization is not always easy, measuring the results .
- What is found that highly engaged, motivated teams outperform their peers.
- The first step is hiring the right people; the second step is keeping them

WHAT IS YOUR EMPLOYEE VALUE PROPOSITION?

- Abraham Maslow developed the idea that certain basic needs must be met in each of our lives, and once these needs have been met, it frees us to increase our engagement and continue our development. Maslow's hierarchy of needs has five levels:

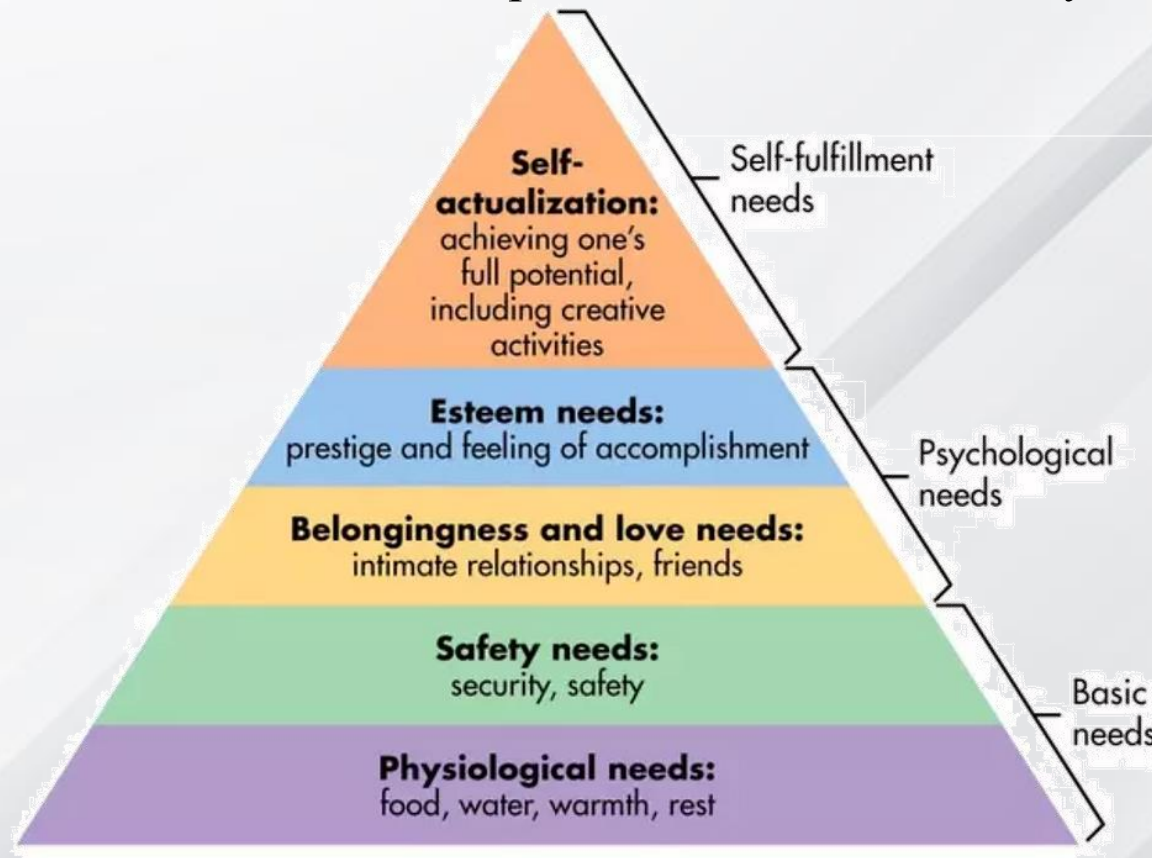
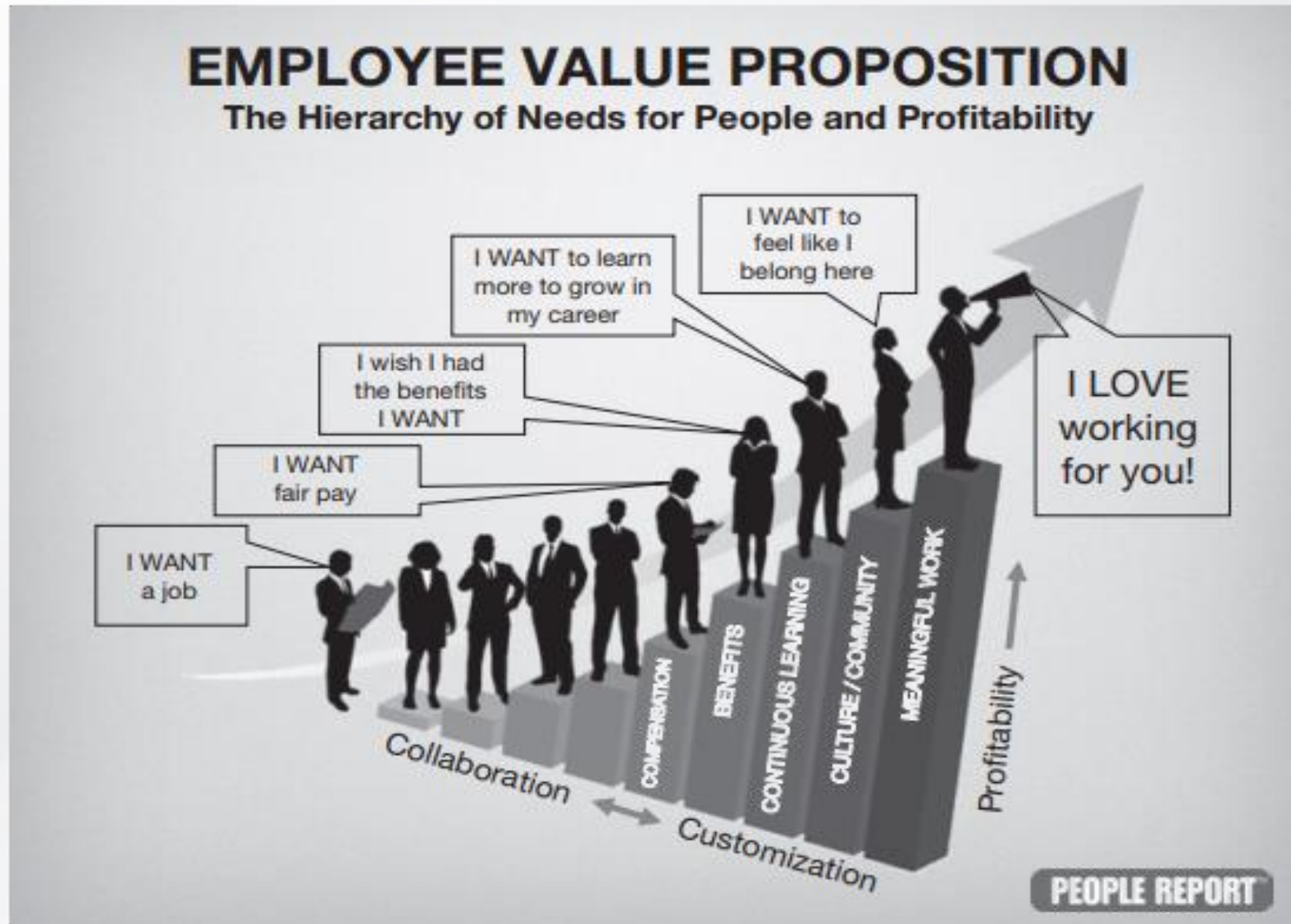


Figure 3.3. The employee value proposition.



Source: People Report, 2009.

HOW TO ACHIEVE EMPLOYEE VALUE PROPOSITION

It can be achieved through:

- Compensation
- A Paycheck and More
- Retention Drives Sales
- A Place They Belong
- One Size No Longer Fits All

COMPENSATION

- We find that the most basic employee need to be satisfied is an individual's compensation and benefits. Typically, the obvious tool for organizations to meet those needs is periodic compensation increases.
- However, even in the current recessionary period, a paycheck is easily replicated by competitors; remember—"If people come for money, they will leave for money"

COMPENSATION

Figure 3.4. Comparative results of base salary and sales.

Pay Doesn't Always Equal Performance		
	Group 1	Group 2
Base Salary	\$60,980	\$60,283
Average Quarterly Bonus	\$4,059	\$4,901
% General Managers Bonused	82%	81%
Average Comp Sales	-2.64%	2.44%

Source: People Report, Casual Dining, January–June 2007.

COMPENSATION

Figure 3.5. Comparative benefits packages in the foodservice industry.



Source: People Report, 2009.

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A PAYCHECK AND MORE

- As a look at the needs hierarchy shows, people do not want just a paycheck—they want a paycheck and more.
- Part of the “more” most employees want can be seen in the higher steps up the hierarchy.
- They want to grow in their role and have a chance to move up within the organization, and they want to feel that they are appreciated and that they belong.



A PAYCHECK AND MORE

- Many proactive operators have turned to data mining, as “data mining shows that these personality traits are better predictors of worker productivity (especially turnover) than more traditional ability testing.
- Data mining and predictive analytics help match employees who are most compatible with particular jobs.

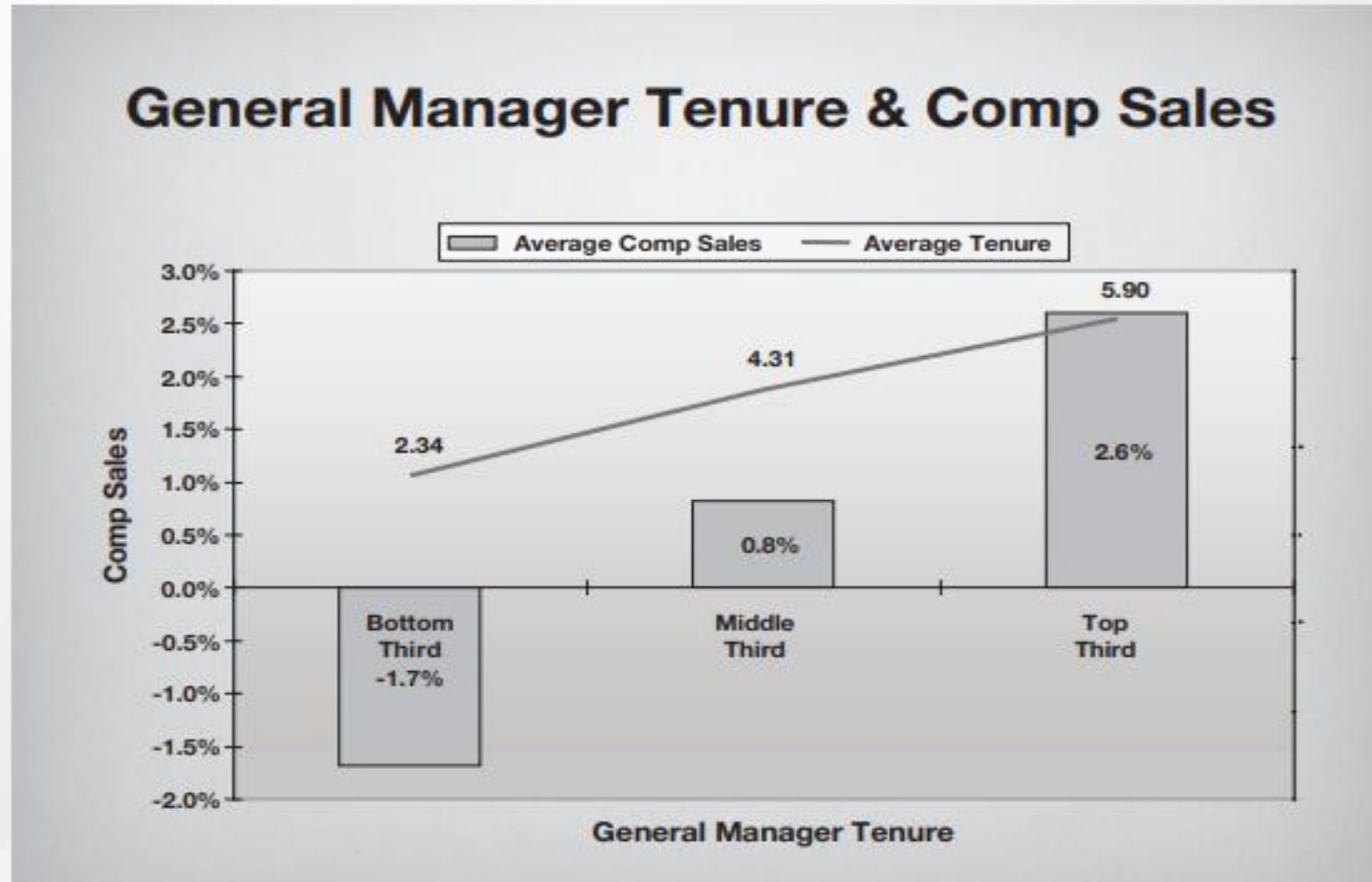
A PAYCHECK AND MORE

- Talent assessment and screening firms specialize in helping match applicants to job requirements, assisting companies in streamlining the process.
- They help find the best fit that leads to hiring employees with a much longer tenure.

RETENTION DRIVES SALES

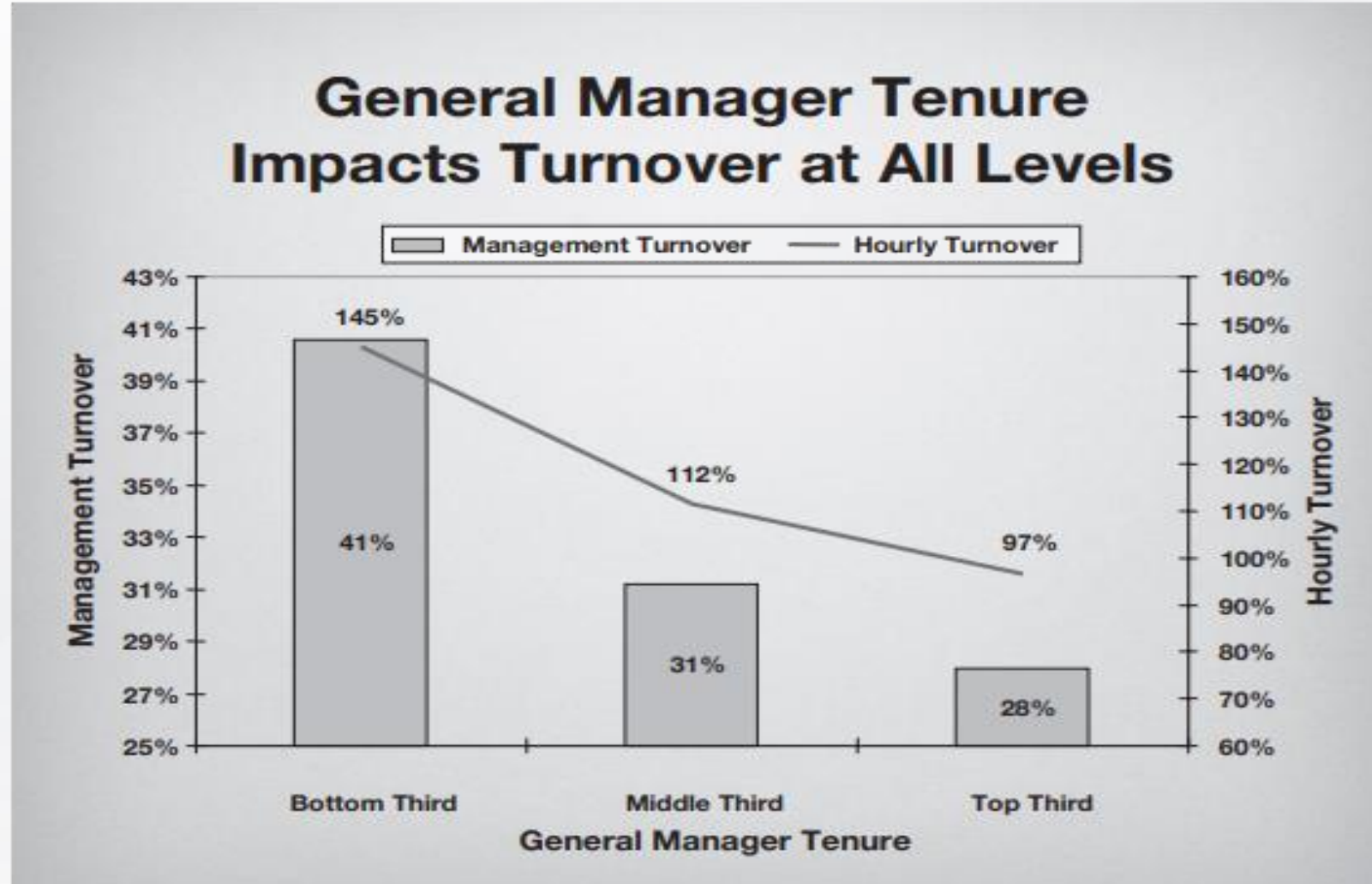
- Research found that companies that reported the lowest comparable (comp) unit sales also employed general managers with the shortest average tenure.
- The tenure of general managers impacts the retention of managers and employees as well.
- As the length of employment for general managers increases, line-level management and hourly employee turnover drops.

Figure 3.6. Comparative tenure results for general managers.



Source: People Report, 2009.

Figure 3.7. Impact of general manager tenure.



Source: People Report, 2009.

A PLACE THEY BELONG

- Creating a workforce where people feel included is important, for this reason: People don't work where they have to; they work where they want to.
- The culture of the work environment. Do employees feel like members of the work community? Do they feel as if they have a chance to increase their role in the organization or do they simply feel viewed as “replaceable cogs in a machine?”

A PLACE THEY BELONG

- One thing is certain: When the work environment begins to get worse, the best employees are often the first ones leave because they have the most options.

ONE SIZE NO LONGER FITS ALL

- When attempting to satisfy worker needs, it is increasingly clear that you must first identify worker wants. Not all workers want the same things.
- **For example**, the employee value proposition that might appeal to college students may not be as attractive to baby boomers.

ONE SIZE NO LONGER FITS ALL

- Instead of trying to appeal to everyone, and in the process satisfying no one, successful companies are taking a novel approach to recruiting and providing for their employees. They carefully identify their target worker audience and then appeal directly to that crowd.

ONE SIZE NO LONGER FITS ALL

Figure 3.8. Companies that have customized employee programs.



Source: People Report, 2009.

ONE SIZE NO LONGER FITS ALL

- Research indicates that leading companies have long since moved past relying on traditional compensation and benefits offerings to attract and retain a quality workforce.
- Instead, they operate with a focus on “total rewards,” offering a combination of competitive compensation and benefits, flexible schedules, lifestyle rewards, switched-on training programs, an inclusive workplace, and a commitment to lifelong learning

ONE SIZE NO LONGER FITS ALL

- These same companies think creatively about how they recruit new employees to join them.
- They cast wide nets that encompass women, minorities, students, retirees, and candidates from other industries. They count on referrals and recognition as a great place to work to attract candidates to their doors.

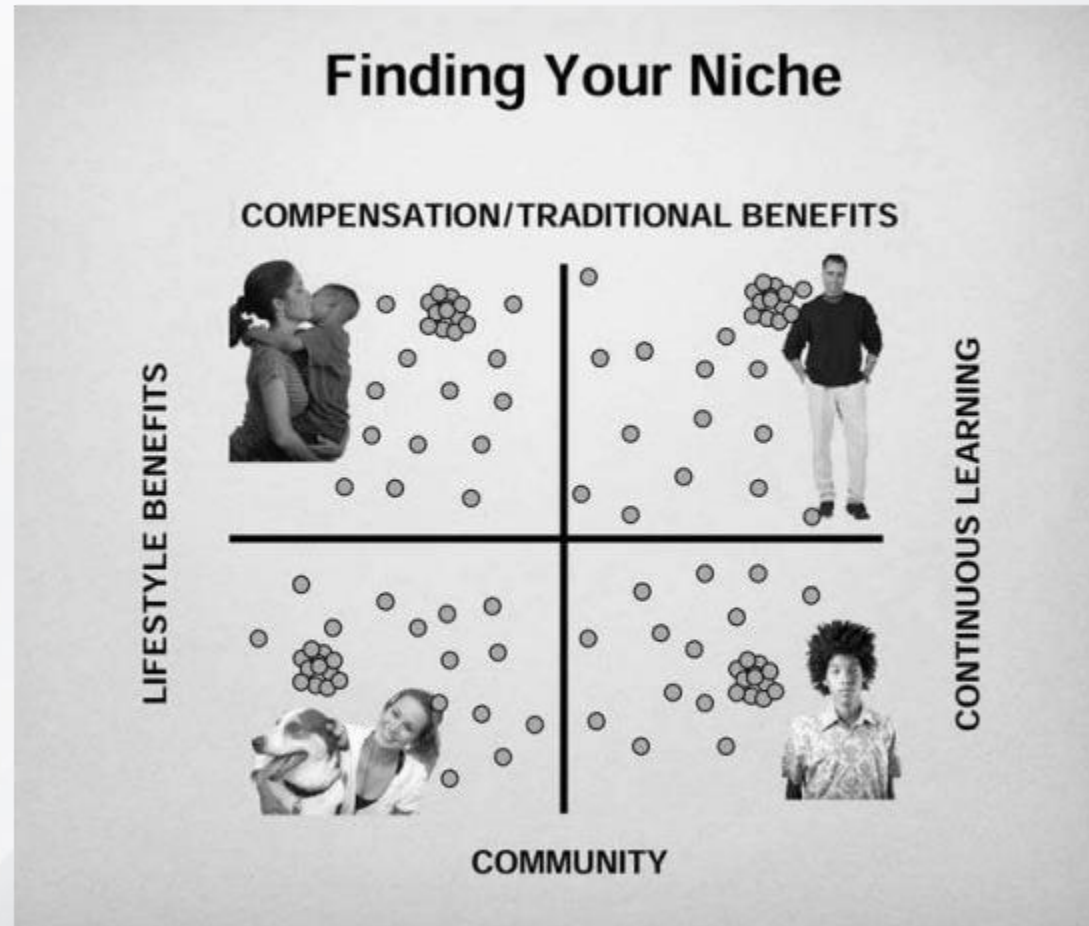
ONE SIZE NO LONGER FITS ALL

- These approaches enable proactive operators to meet the challenge of the times.
- Change is imperative, and in both the near and longer term, human capital excellence will be a textbook advantage for the winners in this marketplace.

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ONE SIZE NO LONGER FITS ALL

Figure 3.9. Employee niche needs.



Source: People Report, 2009.



Thank You