

Human Resources Management

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Lecture 2

جامعة الجميع الذكية

تسعى لتكون الكيان الأول الذي يتبنى مبدأ المجتمع التعليمي
التعاوني ويقدم العلم مقابل العمل لتنمية وبناء المجتمعات.

**Strategic Human Resource
Management**



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Chapter 02

Human Resource Management

TENTH EDITON

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Chapter 2

Strategic Human Resource Management



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

- Discuss why human resources can be a core competency for organizations.
- Define HR planning, and outline the HR planning process.
- Specify four important HR benchmarking measures.
- Identify factors to be considered in forecasting the supply and demand for human resources in an organization.



- Discuss several ways to manage a surplus of human resources.
- Identify what a human resource information system (HRIS) is and why it is useful when doing HR planning.



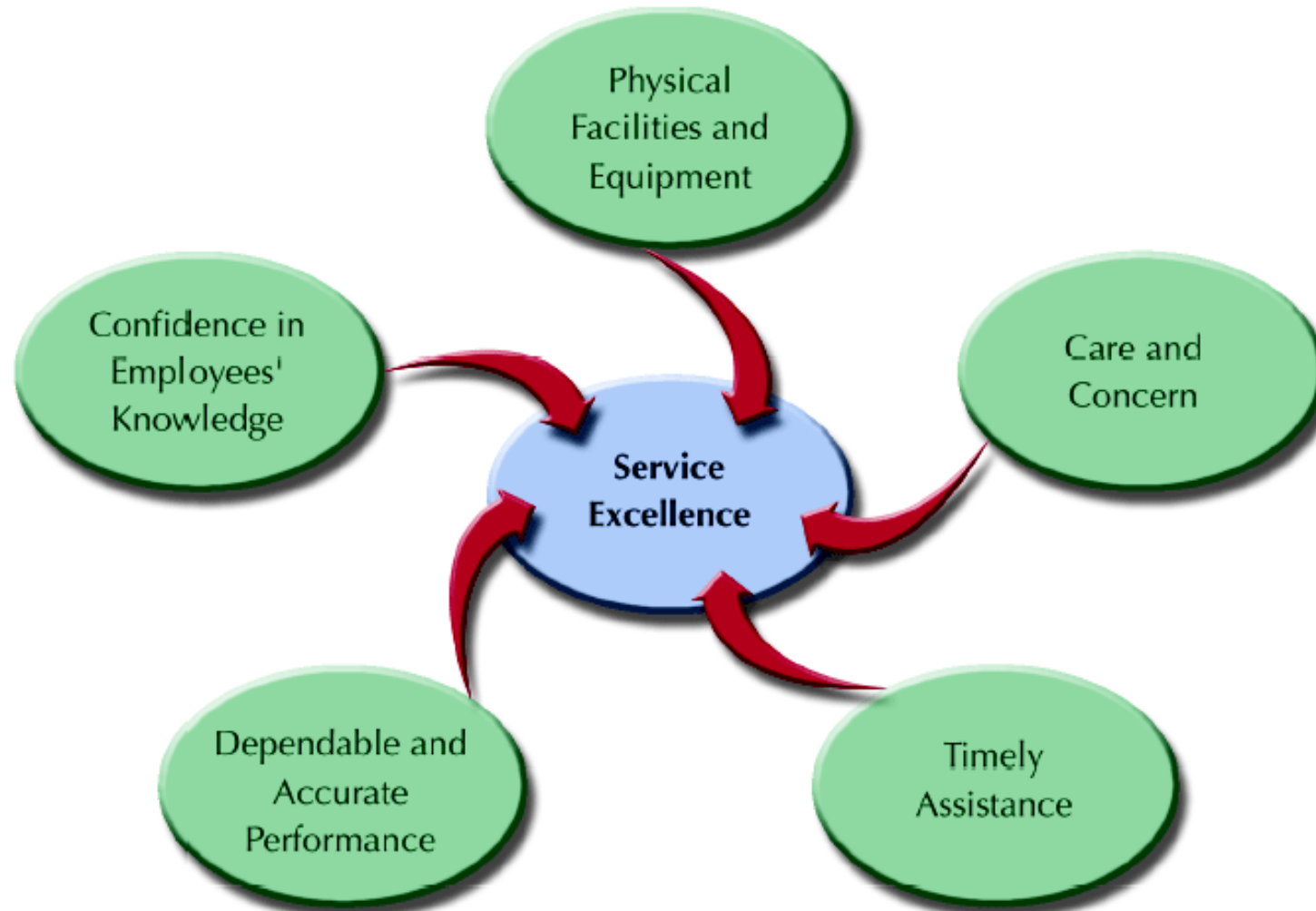
- Strategic Human Resources Management
 - Organizational use of employees to gain or keep a competitive advantage against competitors.
- Core Competency
 - A unique capability in the organization that creates high value and that differentiates the organization from its competition.





- 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.





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Factors That Determine HR Plans

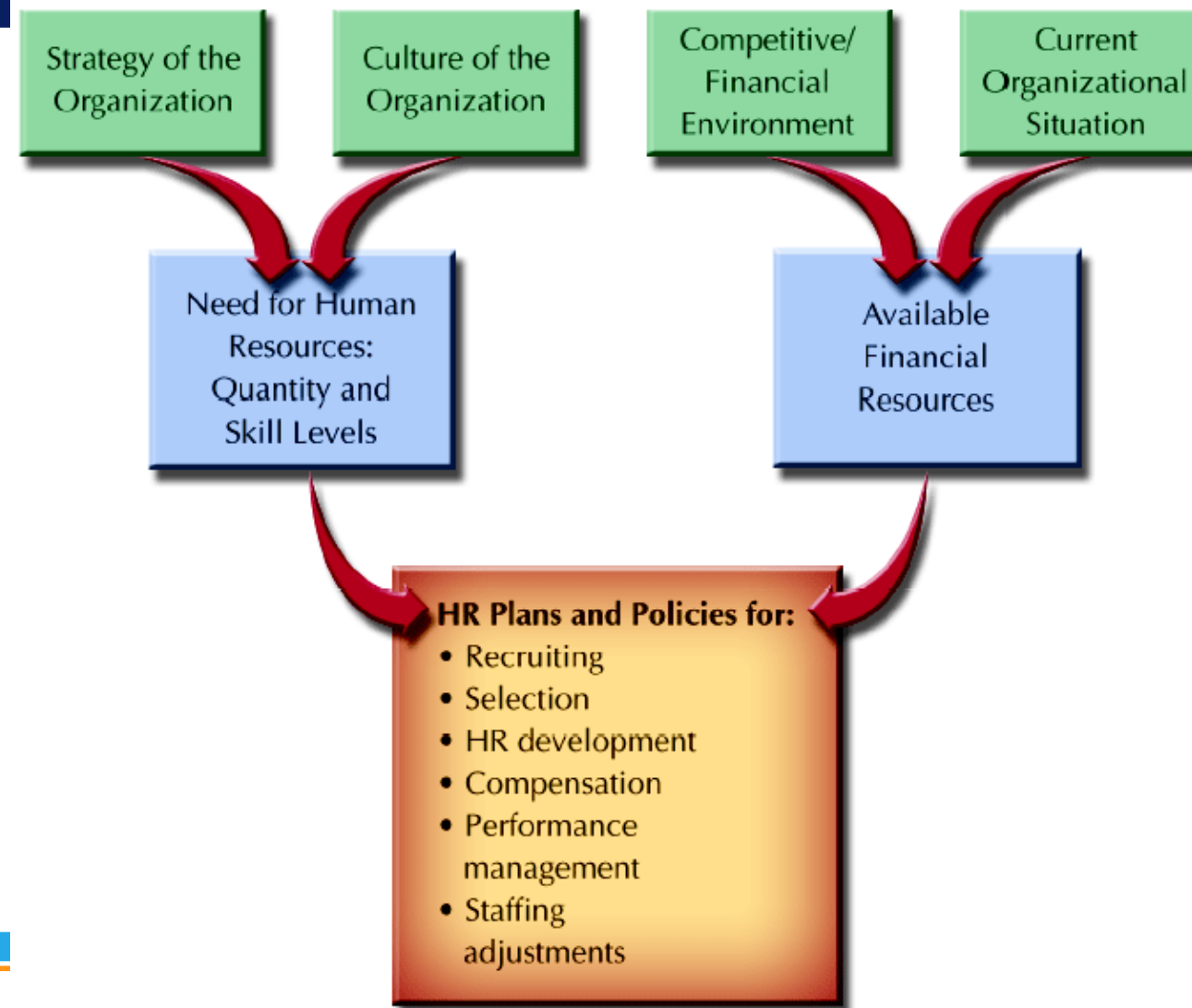


Figure 2–3



Organizational Strategy	Strategic Focus	HR Strategy	HR Activities
Cost Leadership	• Efficiency • Stability • Cost Control	• Long HR planning horizon • Build skills in existing employee • Job and employee specialization efficiency	• Promote from within • Extensive training • Hire and train for specific capabilities
Differentiation	• Growth • Innovation • Decentralization	• Shorter HR planning horizon • Hire the HR capabilities needed • Broader, more flexible jobs and employees	• External staffing • Less training • Hire and train for broad competencies



- 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



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Typical Division of HR Responsibilities in HR Planning

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

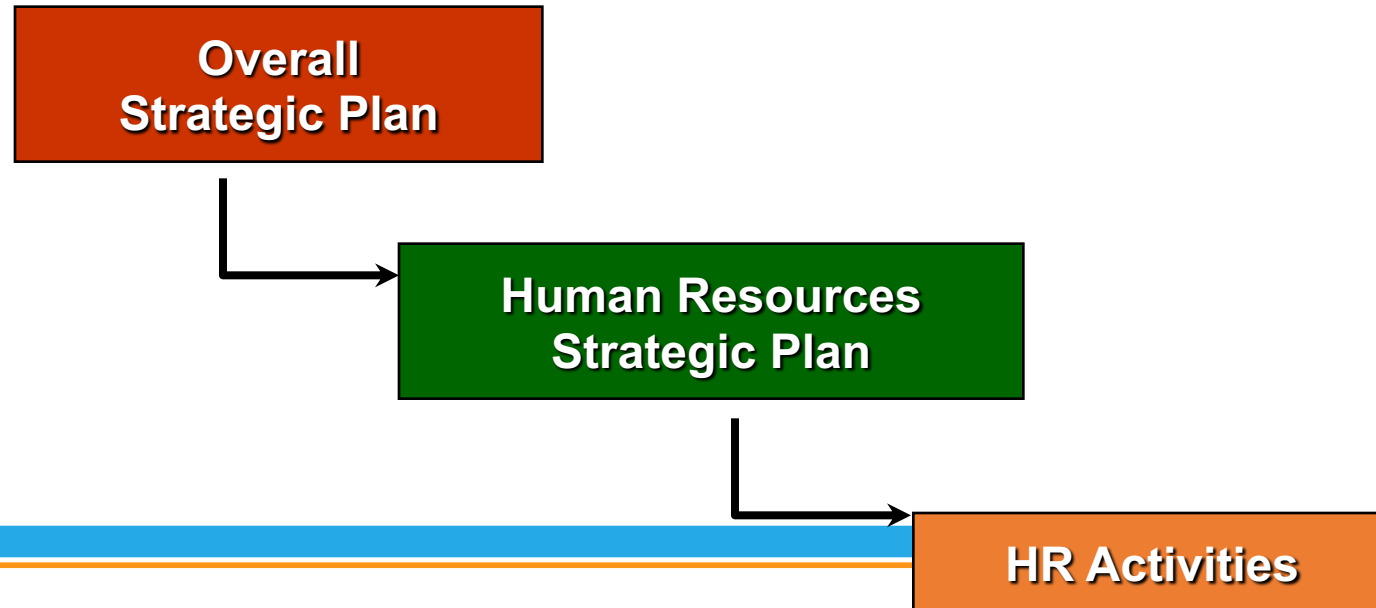


- Small Business and HR Planning Issues
 - Attracting and retaining qualified outsiders
 - Management succession between generations of owners
 - Evolution of HR activities as business grows
 - Family relationships and HR policies





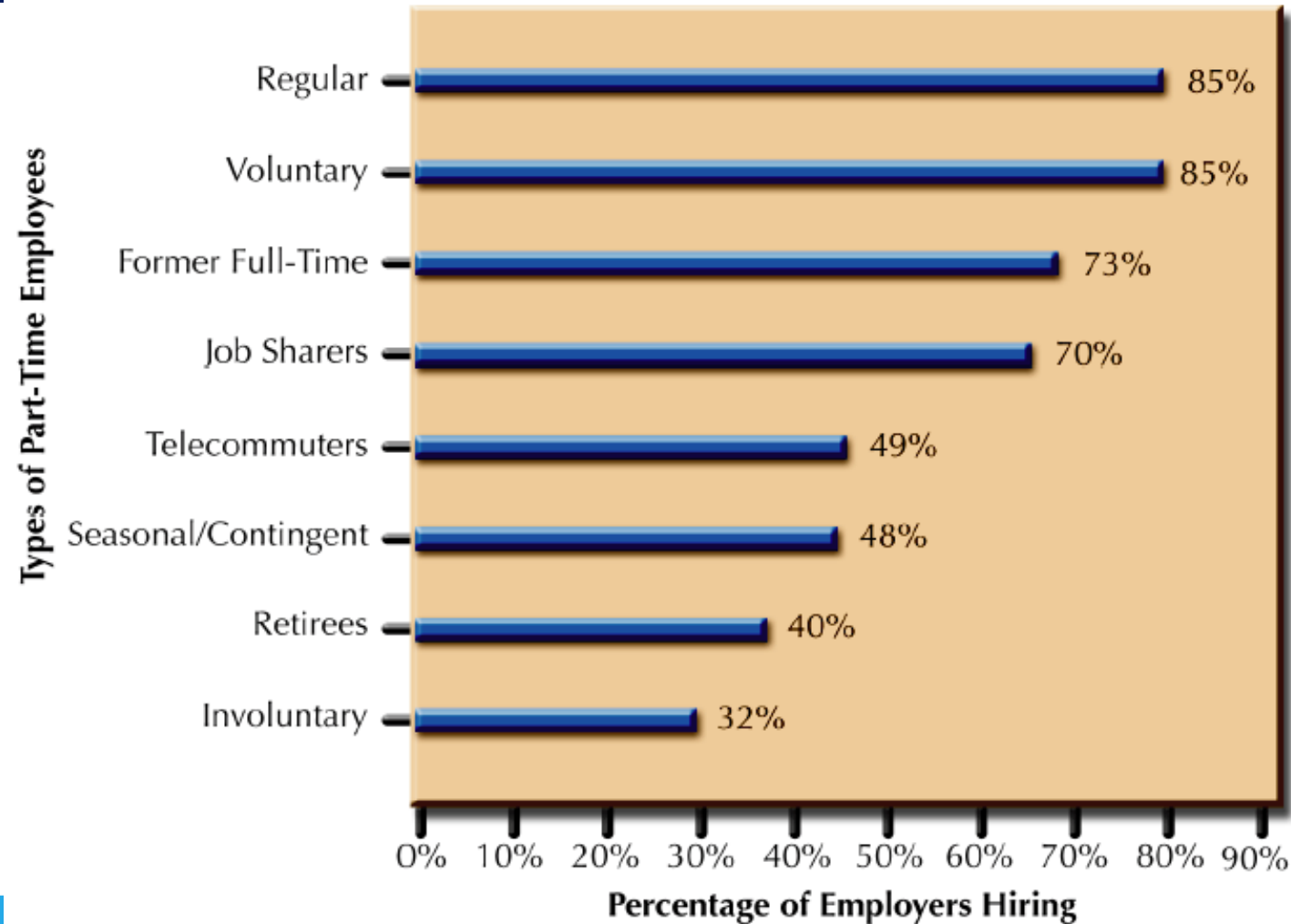
- HR Strategies
 - The means used to anticipate and manage the supply of and demand for human resources.
 - Provide overall direction for the way in which HR activities will be developed and managed.



- 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

- 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

Employers' Use of Part-Time Workers



- 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?



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



- 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 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

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Forecasting Methods

Mathematical Methods

- Statistical regression analysis
- Simulation models
- Productivity factors
- Staffing ratios

HR Demand and Supply Forecasts

Judgmental Methods

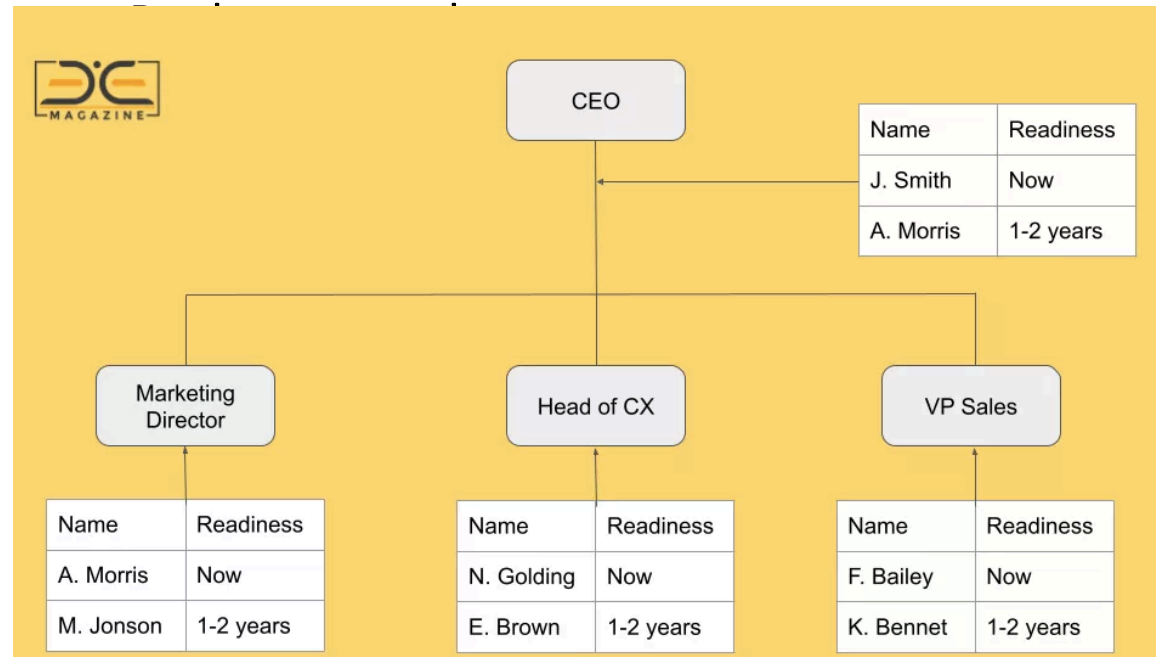
- Estimates
- Rule of thumb
- Delphi technique
- Nominal groups



- Forecasting the Demand for Human Resources
 - Organization-wide estimate for total demand
 - Unit breakdown for specific skill needs by number and type of employee
 - Develop decision rules (“fill rates”) for positions to be filled internally and externally.
 - Develop additional decision rules for positions impacted by the chain effects of internal promotions and transfers.
- Forecasting the Supply for Human Resources
 - External Supply
 - Internal Supply

- Forecasting External HR Supply
 - Factors affecting external
 - Net migration for an area
 - Individuals entering and leaving the workforce
 - Individuals graduating from schools and colleges
 - Changing workforce composition and patterns
 - Economic forecasts
 - Technological developments and shifts
 - Actions of competing employers
 - Government regulations and pressures
 - Other factors affecting the workforce

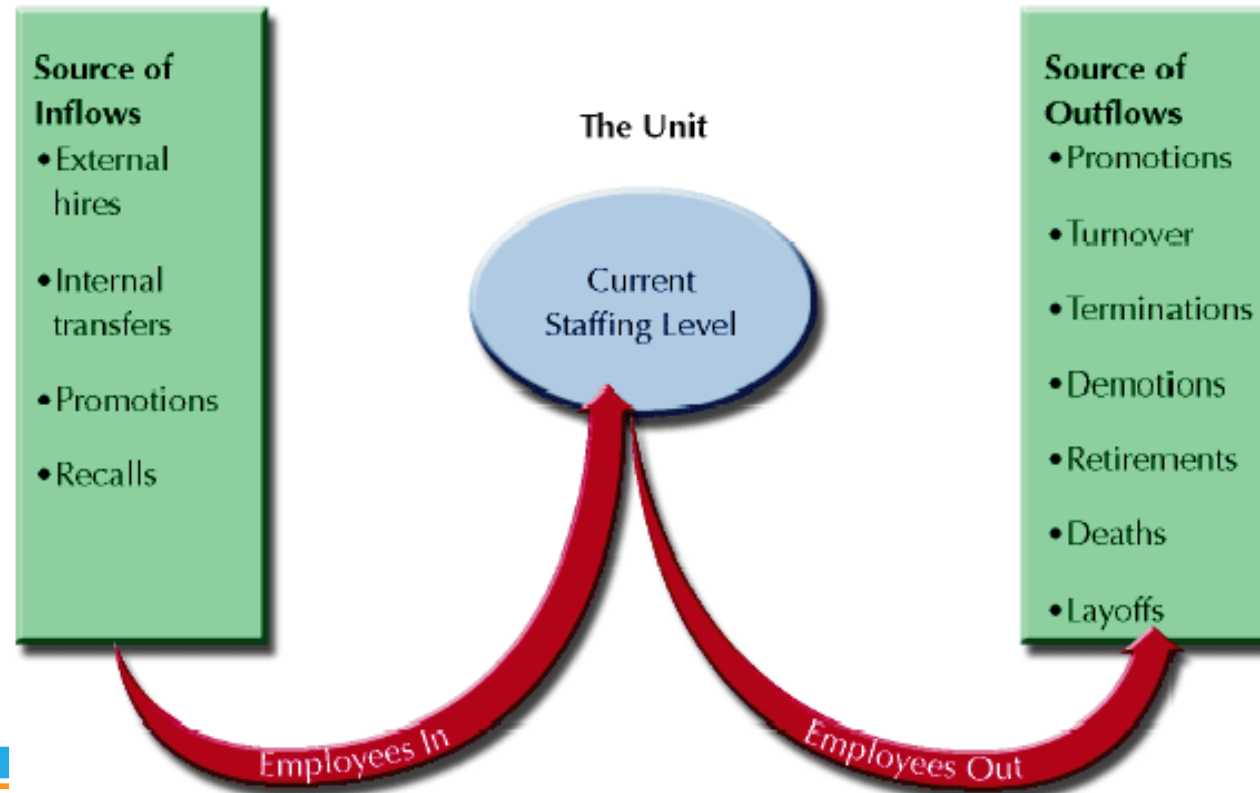
- Forecasting Internal HR Supply
 - Effects of promotions, lateral moves, and terminations
 - Succession analysis



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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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- Workforce Reductions and the WARN Act
 - Identifies employer requirements for layoff advance notice.
 - 60-day notice to employees and the local community before a layoff or facility closing involving more than 50 people.
 - Does not cover part-time or seasonal workers.
 - Imposes fines for not following notification procedure.

- 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

- 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

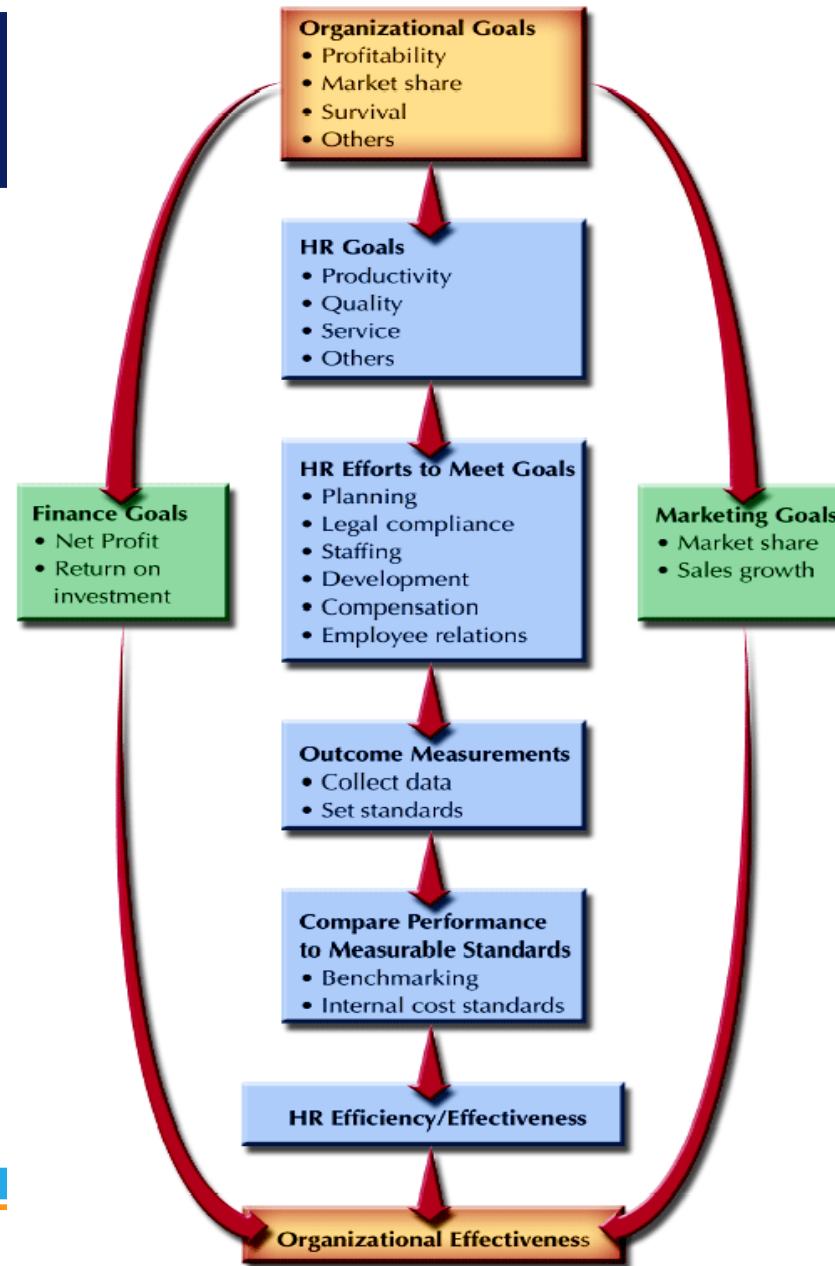
- Downsizing approaches
 - Attrition and hiring freezes
 - Not replacing departing employees and not hiring new employees/
 - Early retirement buyouts
 - Offering incentives that encourage senior employees to leave the organization early.
 - Layoffs
 - Employees are placed on unpaid leave until called 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.

- 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

- 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

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Overview of the HR Evaluation Process



- 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

- 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.

- 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

- Return on Investment (ROI)
 - Calculation showing the value of expenditures for HR activities.

$$ROI = \frac{C}{A + B}$$

A = Operating costs for a new or enhance system for the time period

B = One-time cost of acquisition and implementation

C = Value of gains from productivity improvements for the time period

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HR Business Performance Calculations

HR Performance Area	Method of Calculation
1. CEO's priority numbers	Whatever CEO sees as linked to organizational strategic goals
2. Human value added	$\begin{aligned} &\text{Revenue} \\ &- \text{Operating expense} \\ &- \text{Pay and benefits} \\ &= \text{Adjusted profit} \div \text{Full-time-equivalent employees} \end{aligned}$
3. Return on human capital invested	$\begin{aligned} &\text{Revenue} \\ &- \text{Operating expense} \\ &- \text{Pay and benefits} \\ &= \text{Adjusted profit} \div \text{Pay and benefits} \end{aligned}$
4. Time to fill openings	$\frac{\text{Total calendar days from each requisition to accepted offer}}{\text{Number of openings filled}}$
5. Turnover cost	$\begin{aligned} &\text{Cost to terminate} \\ &+ \text{Cost to hire} \\ &+ \text{Vacancy cost} \\ &+ \text{Productivity loss} \\ &= \text{Total} \div \text{Employees lost} \end{aligned}$



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HR Business Performance Calculations

6. Volunteer turnover rate	$\text{Total voluntary employee separations} \div \text{Total employees}$
7. Return on training	(Dependent upon type of training done)
8. Cost per employee hired	$ \begin{aligned} &\text{Advertising expenses} \\ &+ \text{Agency fees} \\ &+ \text{Employee referral bonuses} \\ &+ \text{HR recruiters pay and benefits} \\ &+ \underline{10\% \text{ misc. costs}} \\ &= \text{Total} \div \text{Total number of employees hired} \end{aligned} $
9. Pay and benefits as % of operating expense	$\text{Total pay and benefits expenditures} \div \text{Total operating expenses}$
10. Healthcare costs per employee	$\text{Total healthcare benefits expenses} \div \text{Total number of employees}$



- Human resource information systems (HRIS)
 - An integrated system of hardware, software, and databases designed to provide information used in HR decision making.
 - Benefits of HRIS
 - Administrative and operational efficiency in compiling HR data
 - Availability of data for effective HR strategic planning
 - Uses of HRIS
 - Automation of payroll and benefit activities

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Uses of an HR Information System (HRIS)

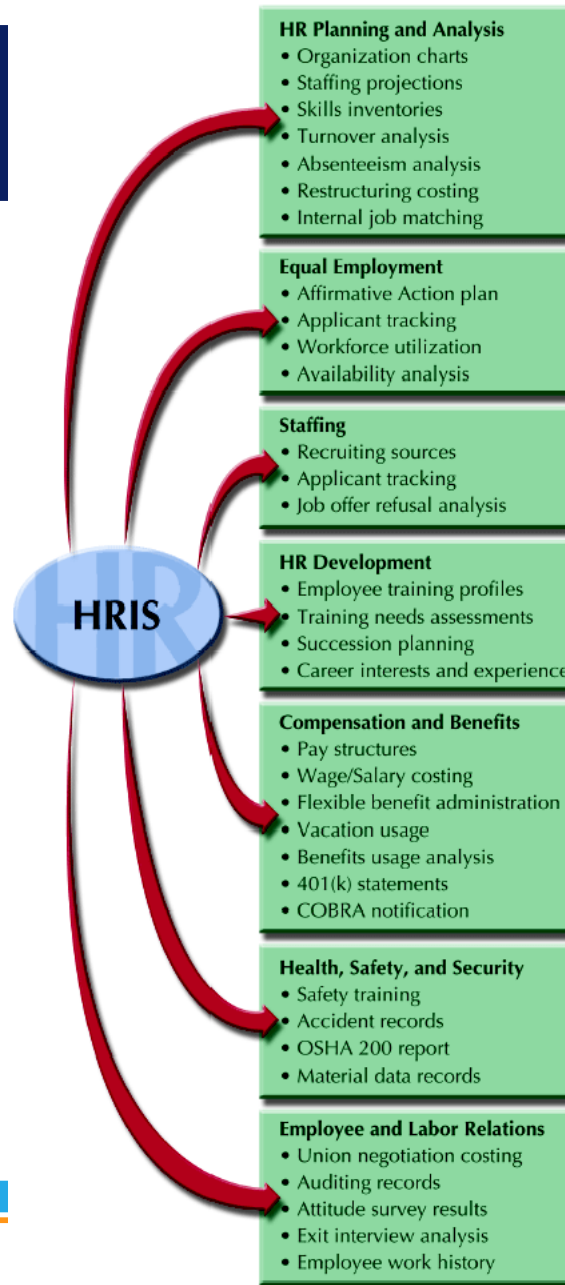


Figure 2-12

- HRIS Design Issues
 - What information available and what is information needed?
 - To what uses will the information be put?
 - What output format compatibility with other systems is required?
 - Who will be allowed to access to the information?
 - When and how often will the information be needed?

- Intranet
 - An organizational (internal) network that operates over the Internet.
- Extranet
 - An Internet-linked network that allows employees access to information provided by external entities.
- Web-based HRIS Uses
 - Bulletin boards
 - Data access
 - Employee self-service
 - Extended linkage