

General Revision

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Week 11

Lecture 10



An Investment Perspective of HRM

This chapter introduces the concept of treating human resource management processes from a strategic point of view. Key Focus:

- **The Human Element and Strategic HR**
- **Adopting an Investment Perspective**
- **Understanding and Measuring Human Capital**
- **HR Metrics**
- **Factors Influencing Investment Orientation**

Main Topics

- ❑ Dyer and Reeves attempted to define what can be called the HR “value chain. "They argued that performance could be measured via four different sets of outcomes: employee, organizational, financial and accounting, and market-based, they proposed that these sets of outcomes had a sequential cause-and-effect relationship.
- ❑ The Mercer Human Capital ROI Model can be used to measure the effectiveness of human capital investments. By following the steps outlined, organizations can determine the return on investment of their training programs and other human capital initiatives.
- ❑ HR Metrics can be used to track and assess the efficiency and effectiveness of human resource management practices. Perfect" metrics don't exist. The most suitable ones depend on the organization's strategy:

Strategic Management

This chapter dives into strategic management and its impact on Human Resources (HR). Key Focus:

- **Models of Strategies**
- **The Process of Strategic Management**
- **Corporate Strategies**
- **Business Strategies**

Main Topics Discussed

- **Importance of Strategy Alignment**
- **Strategy Models**
- **The process of Strategic Management**
- **Corporate Strategies**
- **Business Strategies**

The Evolving Strategic Role of HRM

This chapter dives into how the role of HR managers has evolved. Key Focus:

- **Evolution of HR role: Traditional vs. Strategic**
- **Barriers to Strategic HR**
- **Outcomes of Strategic HR**
- **Model of Strategic Human Resource Management**

Main Topics Discussed

- **The evolution of SHRM**
- **Four main new roles of HRM professionals**
- **Differences between HRM & Strategic HRM**
- **New competencies for HRM Professionals**
- **Lepak & Snell employment model**
- **Barriers to Strategic HRM implementation**

Human Resources Planning

This chapter focuses on HR planning from a strategic viewpoint. Key Focus

- **Objectives of HR planning:**
- **Types of planning:**
 - **Aggregate planning:**
 - **Succession planning:**
- **Mentoring**
- **Importance & Benefits of HR planning:**

Main Topics

Key Objectives of HR Planning:

- **Prevent staffing imbalances:** HR planning helps avoid overstaffing (inefficiency) and understaffing (lost opportunities).
- **Right talent, right place, right time:** Ensure the organization has the necessary skills and expertise in the right positions at the right time.
- **Adaptability to change:** Anticipate and plan for environmental shifts to maintain a competitive edge.
- **Alignment and coherence:** Provide direction and ensure consistency across all HR activities and systems.
- **Collaboration:** Foster communication and cooperation between line and HR managers for successful planning initiatives.

Aggregate Planning- Forecasting Demand

Forecasting Demand:

The first step in aggregate planning is Forecasting future needs for employee groups and skillsets to maintain high performance. This involves considering:

Strategic plans: Growth or decline in the organization's business will impact employee needs.

Demand for products/services: The main indicator of employee demand is the demand for what the organization produces or sells.

Future assumptions: Factors like new technology, competition, and changes in service delivery need to be considered when forecasting.

Aggregate Planning

Forecasting Methods:

Mathematical methods: Techniques like regression analysis can help forecast employee demand, but most organizations rely on:

Unit forecasting (bottom-up): Each department estimates its own employee needs based on its goals. This can be responsive to market needs but may lead to overestimation.

Top-down forecasting: Senior management allocates a budget for employee payroll and divides it across departments. This is efficient but may not reflect market needs.

Aggregate Planning

Forecasting also needs to consider the specific skills employees will need. Changing demographics and technology impact the skillsets available and required.

Forecasting Supply:

Once employee demand is forecasted, the organization needs to assess its internal supply of labor:

Skills inventory: A database containing information on employees' skills, experience, and career aspirations. This helps understand the capabilities of the existing workforce.

Mobility and turnover: Analyze how employees move within the organization and the rate at which they leave. Tools like Markov analysis can help predict these movements.

Succession Planning& Mentorship

Succession Planning

Identifying key management positions critical to the organization's success.
Ensuring these positions are filled when they become vacant.

Mentoring Programs:

Pair experienced executives/managers with promising employees (mentees).
Address both personal and professional development needs of the mentee.

Main Topics

Overall Significance of Strategic Workforce Planning:

Leadership continuity: Succession plans ensure smooth transitions and minimize leadership disruptions.

Strategic decision-making: Understanding future talent availability informs strategic plans.

Market competitiveness: Anticipation of labor market trends allows organizations to stay ahead of competitors.

Employee development: Skills gaps are identified, leading to targeted training and development programs.

Budgetary planning: Resource allocation can be aligned with future workforce needs.

Operational efficiency: HR planning helps identify potential staffing imbalances.

Organizational adaptability: Organizations can adapt more effectively to changing environments with a well-defined HR plan.

Human Resources Staffing

This Chapter emphasizes staffing as a crucial strategic HR function impacting profitability. Key Focus:

- **Recruitment considerations: temporary vs. permanent employees**
- **Selection decisions and their importance**
- **Testing in the screening process**
- **International assignments**
- **Documenting employment eligibility**
- **New staffing trends**

Chapter Summary

- **Strategic staffing is crucial for organizational success**
 - Poor hiring choices can lead to high turnover and costs
- Organizations must carefully consider **various factors when developing staffing strategy**
 - Company culture, job requirements, industry trends
- **Weighing temporary vs. permanent staffing options** is essential
 - Temporary workers offer flexibility but lack benefits
 - Legal implications must be assessed
- **Internal vs. external recruiting methods** have tradeoffs
 - Internal: Leverage employee data, motivate staff, faster/cheaper
 - External: Facilitate change, bring new ideas, attract senior talent

Chapter Summary

Strategic recruitment planning is key

Analyze past data to estimate applicant pool and timeline

Account for changes in job market

Diverse recruiting techniques are available

Employee referrals, job fairs, internet recruiting

Internet offers broad reach but carries challenges

Overall, a thoughtful, data-driven staffing approach is crucial

Attract and retain the right talent to drive organizational performance

Training & Development (T&D)

This chapter dives into employee training and development (T&D) programs, highlighting their importance in today's dynamic work environment. Key Focus:

- **Importance of Training & Development**
- **Planning & Strategizing Training**
- **Organizational Development**
- **Integrating Training with Performance Management System**

Chapter Summary

Onboarding Programs: Immerse new hires in company culture and equip them with essential skills from day one

Customized Training: Develop training content tailored to the specific needs of different departments and employee roles

Blended Learning: Offer a mix of online modules, in-person workshops, and on-the-job training to cater to diverse learning styles

Strategic Focus: Align training programs with the organization's goals and business objectives (e.g., all case studies discussed).

Chapter Summary

Developing successful training programs requires careful planning and strategizing. This involves four main steps:

- ❑ **Needs Assessment:** Identify the need for training and analyze its fit within the organization's context.
- ❑ **Set Objectives and Measures:** Define what the training aims to achieve and how success will be measured.
- ❑ **Deliver the Training:** Implement the training program according to the plan.
- ❑ **Evaluate:** Assess the effectiveness of the training program after delivery.

Chapter Summary

Technology Integration: Utilize online learning platforms and other technological tools to deliver, manage, and track training programs

Performance Management Integration: Connect training programs with performance evaluation and development planning to ensure skill development translates to better job performance.

Employee Empowerment: Focus on providing training that equips employees with the skills and knowledge they need to grow in their careers

Chapter Summary

Benefits of Effective Training and Development

- ☐ Increased Employee Engagement
- ☐ Improved Productivity
- ☐ Reduced Turnover
- ☐ Enhanced Company Culture
- ☐ Competitive Advantage

Performance Management & Feedback

This chapter focuses on performance management and feedback, emphasizing their importance. Key Focus:

- **Designing Effective Performance Management**
 - Who conducts evaluations?
 - What aspects are evaluated?
 - How are evaluations administered?
 - What are the evaluation measures?
- **Critical Guidelines for Success**

Chapter Summary

2. Strategic Choices in Performance Management Systems:

Complexity vs. Simplicity: Organizations can choose between a detailed system with many metrics or a simpler, streamlined approach depending on factors like size and industry.

Focus and Frequency: The system can focus on outcomes (results) or behaviors while achieving them. The frequency of formal reviews can also be tailored (annual vs. more frequent check-ins).

Chapter Summary

Understanding the Pros and Cons:

Pros:

- Improved Performance & Engagement: Effective systems can lead to significant gains in performance and employee engagement.
- Talent Development & Data-Driven Decisions: Performance data helps identify high-potential employees and informs strategic talent management decisions.

Cons:

- Administrative Burden & Subjectivity: Complex systems can be time-consuming and bureaucratic. Performance evaluations can be subjective, leading to potential biases.
- Short-Term Focus & Employee Dissatisfaction: Overemphasis on short-term results can discourage long-term development, and poorly designed systems can demotivate employees.

Chapter Summary

Reasons for System Failure and Improvement Strategies:

- Lack of Strategic Alignment
- Inconsistent Communication
- Limited Manager Training
- Focus on Punishment & Lack of Employee Involvement

Strategies for Effective Systems:

- Simplify the Process: Focus on Meaningful Feedback
- Develop Manager Capabilities
- Link Performance to Rewards
- Embrace Technology

Chapter Summary

A Roadmap for Success:

Collaborative Design & Strategic Alignment: Involve managers in the design process and ensure the system is tightly linked to the organization's strategy.

Fair and Objective Evaluations: Establish clear performance standards using a combination of absolute (rating) and relative (ranking) measures when appropriate.

The chapter also discussed various evaluation methods beyond setting standards, such as:

- Management by Objectives (MBO)
- 360-Degree Feedback

Chapter Summary

Fostering Open Communication: Promote open and frequent communication regarding expectations, performance, and development goals.

Establishing Clear Consequences: Implement clear and consistent consequences for performance, both positive (rewards) and negative (performance improvement plans).

Securing Top-Management Commitment: Gain unwavering commitment from top management to create a performance-driven culture.

Continuous Improvement: Recognize that the system is a dynamic tool and regularly review and refine it to address changing needs and maintain its effectiveness.

Chapter Summary

EXHIBIT

10.1

Performance Feedback Versus Performance Appraisal

	Performance Feedback	Performance Appraisal
Time period	Past, present, and future	Past
Focus	Link employee work activities to specific business objectives and strategy	Create records; document performance problems
Nature of communication	Two-way	One-sided, downward, directive; "rebuttal" sometimes allowed
Employee role	Active participant	Passive
Formality	Informal, verbal	High formality, written forms with signatures
Timing	Spontaneous, ad hoc needed	As prescribed (usually annual)
Basis of relationship	Collegiality	Power
Role of supervisor	Coach, motivator, partner	Authority figure
Outcomes	Participation; enhanced, targeted performance; improved relationships	Compensation decision; task directives

Strategic Pay Plan

This chapter provides insight into key compensation topics. Equity issues are examined from the individual, internal and external points of view. Key Focus:

- **Equity**
 - **Internal Equity**
 - **External Equity**
 - **Individual Equity**
- **Executive Compensation**
- **Compensation System**

Chapter Summary

Compensation is a multifaceted strategic tool that significantly impacts an organization's ability to attract, retain, and motivate employees. It is influenced by various factors, including job roles, performance, market conditions, and legal regulations.

Effective compensation systems seek to balance **internal equity** (fairness within the organization), **external equity** (competitiveness with the market), and **individual equity** (fairness among employees in the same role). While seniority-based systems were once prevalent, modern organizations increasingly emphasize **performance-based pay**, including merit pay and incentive plans.

Chapter Summary

Direct Compensation

Direct compensation refers to monetary payments employees receive for their work. It comprises:

Base pay: The fixed amount of money employees earn for their job, usually paid on a regular basis (hourly, weekly, monthly, or annually).

Incentives: Variable pay linked to individual or organizational performance. This includes:

Bonuses: Lump sum payments given in recognition of specific achievements or contributions.

Commissions: Pay based on a percentage of sales or revenue generated.

Profit-sharing: Employees receive a portion of the company's profits.

Stock options: The right to purchase company shares at a predetermined price.

Chapter Summary

Indirect Compensation (Benefits)

Indirect compensation, also known as benefits, refers to non-monetary rewards provided to employees.

These can be categorized into:

Legally Required Benefits:

- Social security
- Unemployment compensation
- Workers' compensation
- Family and Medical Leave Act (FMLA)

Optional Benefits:

- Paid time off (PTO) including holidays, vacation, sick leave, Health insurance, Retirement/pension plans, Disability insurance, Life insurance, Tuition reimbursement, Dependent care assistance
- Flexible work arrangements (telecommuting, flextime, compressed work weeks)

Chapter Summary

- **Executive compensation** has become a focal point of public and regulatory scrutiny due to the widening gap between executive pay and that of average employees. Balancing the need to attract top talent with shareholder interests and ethical considerations is a complex challenge for organizations.
- Legal frameworks, such as the Equal Pay Act and the Fair Labor Standards Act, play a crucial role in shaping compensation practices. Organizations must navigate these regulations to ensure compliance while maintaining competitive compensation packages.
- Designing and implementing a successful compensation strategy requires a careful balance of various factors. Organizations must consider employee needs, organizational goals, market conditions, and legal requirements to create a system that is fair, equitable, and motivating.

Chapter

13

Employee Separation and Retention Management

This chapter highlights the importance of effectively managing employee separation, both voluntary (resignations) and involuntary (layoffs). Key Focus:

- **Restructuring and Reductions in Force**
- **Cost of Turnover**
- **Retirement**

Chapter Summary

Effective **management of employee separation and retention** is a critical function for contemporary organizations. It encompasses a strategic approach that balances the costs and benefits associated with employee turnover while optimizing organizational performance. Employee separation, whether voluntary or involuntary, is an inherent aspect of organizational life.

Layoffs, often necessitated by economic downturns or strategic shifts, demand careful planning and execution to minimize negative impacts on remaining employees and organizational reputation. The strategic management of layoffs involves open communication, comprehensive severance packages, outplacement services, and efforts to preserve employee morale.

Chapter Summary

Retirement is another form of employee separation. Organizations must navigate the challenges associated with the loss of institutional knowledge while also capitalizing on opportunities for rejuvenation. Implementing phased retirement programs, offering early retirement incentives, and fostering knowledge transfer initiatives can help manage this transition effectively

Retaining top talent is crucial for organizational success. A high turnover rate can erode organizational culture, hinder knowledge transfer, and increase recruitment and training costs. Organizations must focus on creating a positive work environment that fosters employee engagement, development, and well-being. Competitive compensation, opportunities for career advancement, and work-life balance initiatives are essential components of a robust retention strategy.

Chapter Summary

A strong employer brand attracts and retains top talent. By cultivating a positive employer reputation through effective communication, social media, and employee advocacy, organizations can enhance their ability to compete for talent.

In conclusion, managing employee separation and retention requires a multifaceted approach that aligns with the organization's overall business strategy. By understanding the factors that influence employee turnover, implementing effective retention strategies, and leveraging technology and data analytics, organizations can optimize their workforce and achieve long-term success.