

STRATEGIC HRM

HRM and Strategic HRM

- **What is HRM?**
 - Managing people within the employer-employee relationship
 - Specifically involves the productive use of people in achieving the organisation's strategic business objectives and the satisfaction of individual employee needs
 - Leading companies like Blackmores, Coca Cola Amatil, google, Johnson & Johnson and Microsoft recognise that **human capital is their most important resource and take action to maximise it by**
 - Focusing on selecting, developing and rewarding top talent
 - Encouraging open communication, teamwork and collaboration
 - Refusing to tolerate poor performance or compromise their long term objectives for short term gains
 - **Identified seven dimensions of effective people management that produce substantially enhanced economic performance (Pfeffer):**
 - Employment security
 - Rigorous selection
 - Self-managed teams and decentralised decision making
 - Comparatively high compensation linked to individual and organisational performance
 - Extensive training
 - Reduced status distinctions
 - Extensive sharing of financial and performance information throughout the organisation
 - **Higher Work and Life Satisfaction Due To**
 - Job design
 - Employee participation and open communication
 - Equal opportunities
 - Family-friendly practices
 - Anti-harassment practices
 - **High performance HR has a positive effect on organisation performance by increasing**
 - Employee knowledge, skills & abilities (KSAs)
 - Motivating employees to perform
 - **Some research indicates:**
 - Effectiveness of high performance HR may be affected by a number of factors such as national culture and strategic orientation
 - High performance HR management policies and practices generate
 - ❖ Profitability gains
 - ❖ Share price increases
 - ❖ Higher company survival rates
 - ❖ Increased sales
 - ❖ Higher export growth
 - ❖ Increased organisational commitment
 - ❖ Lower labour turnover
 - Employment of high performance HR practices increase the value placed on HR by senior managers and positively influences both HUMAN CAPITAL and SOCIAL CAPITAL
 - HR activities such as training and development, human resource planning and performance appraisal has a significant impact on employee productivity
 - HR practices focussed on employee commitment were linked to increased trust, cooperation and knowledge sharing
 - HR practices were positively related to customer service and employee willingness to help others
 - Strategic HR roles of change agent, strategic partner, employee champion and administrative expert facilitate organisational learning capabilities and psychological empowerments which lead to higher employee commitment
- **Two Extreme Theoretical Approaches to HRM**
 - **Instrumental HRM:** hard approach that stresses the rational, quantitative and strategic aspect of managing human resources
 - Focuses on performance improvement and improved competitive advantage
 - **Humanistic HRM:** soft approach that still emphasises the integration of HR policies and practices with strategic business objectives while recognising that competitive advantage is achieved by employees with superior know-how, commitment, job satisfaction, adaptability and motivation
 - Focuses on employee development, collaboration, participation, trust and informed choices
 - **HRM Activities**
 - **Job Analysis:** a job in terms of specific tasks and responsibilities and identifies the abilities, skills, knowledge and qualifications needed to perform it successfully & its products are
 - **Job Descriptions:** describe the job
 - **Job Specifications:** describe the type of person needed for the job

- **Human Resource Planning or Employment Planning:** process by which an organisation attempts to ensure that it has the right number of qualified people in the right job at the right time
 - Does this by comparing the present supply of people with its projected demand of human resources
- **Recruitment:** process of seeking and attracting a pool of applicants from which qualified candidates for job vacancies within an organisation
 - Job vacancies can be filled from within or outside of the organisation
 - Some methods used for recruitment include job posting, newspaper advertisement, social networking sites and executive search
- **Selection:** choose from the available candidates the individual predicted to be most likely to perform successfully in a job
 - **Steps in the selection process includes:** reviews the application forms, psychological testing, employment interviewing, referenced checking & completing a medical examination
- **Performance Appraisal:** determines how well employees are doing their jobs, communicating that information to employees and establishing a plan for performance improvement
 - Information gathered is also used to link rewards to performance, identify training and development needs and making placement decisions
- **Human Resource Development:** activities focus on the acquisition of the attitudes skills and knowledge required for employees to learn how to perform their jobs, improve their performance, prepare themselves for more senior positions and achieve their career goals
 - Help to improve employee (and organisational) knowledge, skills, competiveness and capacity to adapt and change
- **Career Planning and Development:** activities benefit both employees (by identifying career goals, possible future job opportunities and personal improvement requirement) and the organisation (by ensuring that qualified employees are available when needed)
- **Employee Motivation:** vital to the success of any organisation
 - Concerned with why people do things and why one employee works harder than another
 - **Highly motivated employees:** more productive and have lower rates of absenteeism, turnover and lateness
- **Change and Cultural Transformation:** inevitable result of globalisation, new technology and competitive pressure, which forces organisation and employees to be more innovative, flexible, more skilled and more productive
 - Key for making things happened and to change the way people work
 - **Employees who “Fit” with the Culture:** likely to experience confidence and satisfaction in their work
 - **Employee who Don’t “Fit” with the Culture:** more likely to withdraw, suffer stress and experience little job satisfaction
- **Remuneration:** cash rewards, such as base pay, bonuses, incentive payment and allowances, which employees receive for working in an organisation
- **Benefits:** referred to as indirect or non-cash remuneration
 - Includes superannuation, life insurance, disability insurance, medical and hospital insurance, long term sickness and accident disability insurance, annual leave, sick leave, maternity leave and tuition refund programs

- **Strategy**

- **Strategy:** the direction in which an organisation intends to move and establishes the framework for action through which it intends to get there
- **Purpose of Strategy:** to maintain a position of advantage by capitalising on an organisation’s strength and minimise its weaknesses
 - This is done by identifying and analysing the threat and opportunities presented in organisation’s external and internal environments
- **HRM Strategies Must:**
 - Be aligned with organisation’s strategies
 - ❖ **Growth:** an organisation can expand through internally generated growth (E.g. Maccas & Woolies) or through acquisition, mergers or joint ventures (E.g. Westpac’s takeover of St George Bank)
 - ❖ **Retrenchment:** performance improvement by increasing productivity, cost cutting downsizing, re-engineering and selling or shutting down business operations
 - ❖ **Or Stability:** neutral strategy that attempts to maintain the status quo by pursuing established business objectives and is often used when an organisation is performing well in a low risk environment or when an organisation needs to consolidate after a period of rapid growth or restructuring
 - Reflect the strategic objectives and values of the organisation
 - Support culture, climate and organisation process to attract and retain good staffs
 - Identify the organisation’s distinctive competencies and match people to these
 - Sustain and build organisation commitment

HR Manager's Role → Administrative Expert, Change Agent, Employee Champion, & Strategic Partner

• The Multiple Roles of the HR Manager

Change & Cultural Transformation Catalyst (CA)	Talent Manager	HR Functional Expert (EC)	Board & Senior Executive Resource Counsellor
<ul style="list-style-type: none"> Initiate and monitor change and cultural transformation Promote and audit employee engagement Promote a high performance culture 	<ul style="list-style-type: none"> Attract, develop and retain core employees Identify and track high performers not currently employed by the organisation Manage data on local and international talent to be employed on project teams Act as talent spotter/scout 	<ul style="list-style-type: none"> Speak and act with authority on HR issues Create value Measure HR performance re its efficiency and effectiveness 	<ul style="list-style-type: none"> Confident Coach Adviser Senior appointments HR trend
Employee Advocate	Legal Adviser	Organisation Ambassador	Strategic Partner
<ul style="list-style-type: none"> Understanding employee needs and point of view Act as employee voice in management decision making 	<ul style="list-style-type: none"> Ensure legal compliance re HR activities Monitor legal hazard risk Raise ethical and governance issues 	<ul style="list-style-type: none"> Represent organisation in a competent and professional manner Market HR to the rest of the organisation 	<ul style="list-style-type: none"> Contribute to strategy development Participate in strategy execution

Strategic Challenges Facing HR Managers

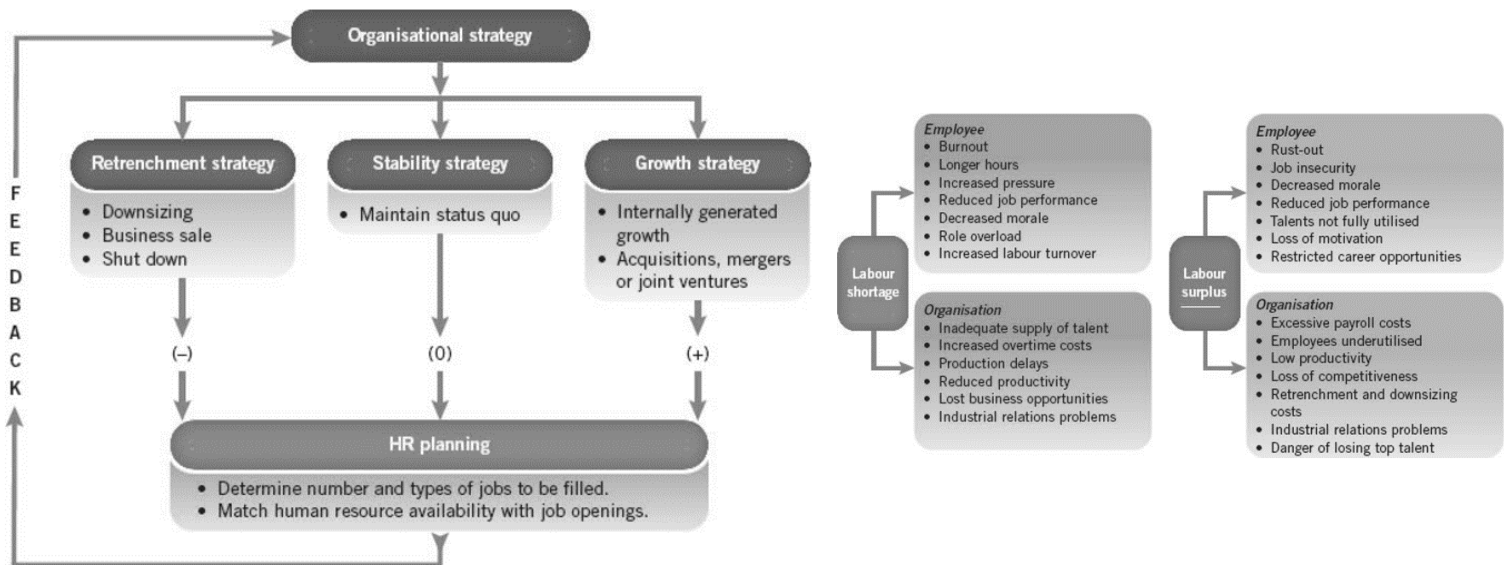
• HR Changes and Challenges

Industrial Relations	Nature of Work	Globalisation	Remuneration
<ul style="list-style-type: none"> Reduced job security Demand for greater labour flexibility Cost pressures challenge the traditional work week, penalty rates and wages relativities Increasing industrial unrest as technology, competitive pressures and global outsourcing eliminate whole categories of jobs Pressure to adopt 2 tier pay systems Trade union push for greater labour market regulation IR environment dominated by conflict as employers and trade unions compete for greater workplace control Unionisation of private sector workers continues to decline 	<ul style="list-style-type: none"> More casual and part time work Reduced job security More independent "free agent" workers Technology continues to simultaneously de-skill many jobs and eliminate many mundane jobs Workers expected to be more flexible, independent and entrepreneurial Workers expected to relocate to where the jobs are Increasing numbers of international/interstate/regional commuters Separation of work-leisure time becoming increasingly blurred 	<ul style="list-style-type: none"> Ongoing transfer of skilled and unskilled work overseas Search for foreign talent to work on projects in Australia Increasing worker flows (in and out) if Australia More diverse workforce More knowledge work outsourced locally or overseas via the web 	<ul style="list-style-type: none"> Increasing complexity as programs required for domestic and international employees and permanent and contingency workers Ongoing community pressures with reference to senior executive remuneration Focus on improving the connection between pay and performance
Activity-Based Working	Technology	Productivity	Culture
<ul style="list-style-type: none"> Pressure to reduce rental costs Challenge to traditional management style Workforce flexibility necessary Reliance on sophisticated technology Requires a collaborative culture Performance assessment on contribution and output and not on presenteeism 	<ul style="list-style-type: none"> Robots replace human labour Increasing rates of skills and labour obsolescence Reduced need for workers to be physically located in an office or factory Creates almost instant demand for new skills and ways of working Destroys more jobs than it creates 	<ul style="list-style-type: none"> Focus on HR activities with the greatest strategic impact Pressure to improve employee productivity and flexibility Demand for HRM to demonstrate it adds value Adoption of world best practices Focus on creativity and innovation 	<p>Ongoing push for a corporate culture which promotes:</p> <ul style="list-style-type: none"> Trust Employee engagement Flexibility Attraction and retention of talent Innovation Performance Collaboration
Workforce Demographics	Displaced Workers	Legal	
<ul style="list-style-type: none"> More elderly workers in the workforce Increasing numbers of highly skilled female workers Increasing numbers of low skilled male workers More women in professional and managerial positions 	<ul style="list-style-type: none"> Personnel without skills and a strong work ethic become a permanently marginalised underclass Political pressure for organisations to assume greater responsibility for employee education and training 	<ul style="list-style-type: none"> Increasing workplace regulation Demand for HR managers to have legal expertise Rise in unfair dismissal and adverse action claims Increasing legal risks associated with HR decisions 	

HR PLANNING

Strategic HRM planning vs. operational HR planning

- **Human Resource Planning:** better described as employment planning and it's a form of HR planning at operational level where its concerned with detailed forecasts of employee supply (internal and external) and employee demand
 - Based on HR forecasts, specific action can be taken to get the right number and type of people doing the right work at the right time
 - **Purpose of HR Planning:** ensure that a predetermined number of persons with the appropriate knowledge, skills and abilities are available at a specific time in the future
 - Thus, systematically identifies what must be done to guarantee the availability of the human resources required by an organisation to meet its strategic business objectives
 - **Scarcity of Talent:** is an increasing concern for managers as the engagement and development of high quality people is vital to an organisation's success
 - Although unemployment exists, employers claim that many workers lack the skills and motivation they require as the education system has failed to produce worker who are literate, numerate and flexible
- **Strategic HRM Planning:** defines the philosophy, objective and strategy, and precedes HR planning



Key environmental influences on HR planning

- **Factors that Affect the Type and Availability of Labour**
 - **Economic Factors:**
 - E.g. high Australian taxes, expensive housing and costly school fees make it difficult to attract profession and executive talent
 - E.g. government subsidies to inefficient unionised industries, such as the automotive industry, lower productivity by diverting labour away from efficient industries such as mining
 - **Social Factors**
 - E.g. jobs shunned by Americans as being too hard, too dirty or too menial are done by illegal workers
 - Rapid increase in the number of rich Chinese and Russians has created a 20% jump in demand for their graduates
 - **Demographic Factors**
 - E.g. between 2010 and 20150, the number of Australian aged 65 to 84 will double and those over 85 will quadruple
 - **Technological Factors**
 - E.g. technology has made geographic location irrelevant, giving organisations the power to transfer jobs from rich countries with expensive labour to poor countries with cheap labour and to replace workers with robots
 - E.g. at Rio Tinto's Pilbara mining operations, robots are now used instead of direct labour
 - **Legal Factors**
 - E.g. a crackdown on drink driving in China's police has seen an upsurge in the demand for chauffeurs for executives
 - **Political Factors**
 - E.g. the federal government has set a goal of getting the two million unemployed or underemployed Australians back into the workforce via welfare reform
 - ❖ This includes changes to disability pension eligibility requirements, tax charges and skill development programs
- **Globalisation:** allowing skilled labour to like capital across the world to locations that offer the best compensation and the best future
 - US attract more educated immigrants than the rest of the world combined

- Australia is losing more than 80 000 residents per year – the majority being academics, managers and professionals – to Britain, Hong Kong, Singapore and the US
- **Multigenerational Workforce:** each generation – traditionalists, boomers, GenX and GenY – has its own distinctive characteristic such as their differences in values, attitudes and ways of behaving
 - Managers need to understand these differences in order to identify the needs of each generations and how to communicate with them
 - HR managers should exercise caution when creating generation specific HR policies and practices
- **Women in the Workforce:** there's an increase participation rate of women in the workforce due to improved childcare facilities, the availability of part time work, job security after an absence for child bearing, maternity leave, special parental leave and partners prepared to share home duties
 - Important factors to retain women in the workforce include flexible working arrangements, workplace culture and childcare support
- **Academic Standards:** due to global proliferation of ever weaker and more diluted academic qualifications means that companies can no longer assume that because a person has graduated they are also qualified
 - E.g. entry standards, at other universities, have declined to the point that only minimal ATAR scores are required
 - E.g. perceived declined in English standards of Hong Kong graduates has forced employers to independently test graduate English skills and universities to introduce an internationally recognise English test
- **Other Environmental Influences:**
 - Demographic factors
 - E.g. immigration, an ageing population, the number of women in the workforce
 - The casualization of the workforce
 - Employee literacy skills
 - Skill shortages
 - E.g. the bursting of the internet bubble saw Australia go from a desperate shortage of computer science graduates to a surplus
 - Acquisition, mergers and divestures
 - Deregulations
 - Pay levels
 - E.g. low academic salaries in Australia have seen losses to the US
 - Flexible work schedules
 - Telecommuting
 - Outsourcing
 - Quality of life expectation
 - Pollution
 - E.g. Hong Kong is one of the world's most polluted and densely populated cities which is reducing attractiveness as a place to work
 - Government regulations
 - E.g. the former coalition government's ban on therapeutic cloning reportedly caused the best stem cell scientist to seek work overseas
 - Income tax levels
 - E.g. the International Monetary Fund has warned that Australia's high marginal tax rates risk making the country uncompetitive and causing the loss of skilled workers
 - Union attitudes
 - E.g. unions in Australia, Hong Kong and the US have opposed moves by companies to recruit overseas, seeing it as "unpatriotic" and competition from cheap labour
 - Lack of national education standards which makes it difficult for organisations to transfer employees interstate

Methods used in HR planning & forecasting

- **Requirements for Effective HR Planning:**
 - **Successful HR Planning Requires HR Managers to Ensure That:**
 - HR personnel understand the HR planning process
 - Top management is supportive
 - The organisation does not start with an overly complex system
 - The communication between HR personnel and line management are healthy
 - The HR plan is integrated with the organisation's strategic business plan
 - There is a balance between the quantitative and qualitative approach to HR planning
- The HR manager needs to be able to forecast the organisation's future HR requirements and determine from where they will be obtained
 - Forecast are an attempt to predict changes in the organisation's needs for human resources
 - Forecast are influenced by organisation's strategic business objectives, the demand for its products and services, projected labour turnover, the quality and type of employees required and available, financial resources and the general state of the economy
- **Three Sets of Forecast Are Required**

- A forecast of the demand for human resources within the organisation
- A forecast of the supply of human resources available within the organisation
- A forecast of the supply of external human resources
- **Two Approaches to HR Forecasting Planning:**
 - **Quantitative Approach:** uses statistical and mathematical techniques and are primarily used by theoreticians and professional HR planners in large organisations
 - Sees employees as numerical entities and groups them according to age, sex, experience, skills, qualifications, job level, pay, performance rating or some other means of classification
 - Focus is on forecasting HR shortages, surplus and career blockage
 - Aims to reconcile the supply and demand for human resources given the organisation's strategic objectives
 - **Internal DEMAND for Human Resource:**
 - ❖ **Trend Projection:** makes predictions by projecting past and present trends into the future, and the technique is based on the assumption that the future will be a continuation of the past
 - › E.g. sales or production level can be related to the organisation's demand for human resource
 - ❖ **Econometric Modelling & Multiple Predictive Techniques:** involves building complex computer models to stimulate future events based on probabilities and multiple assumptions, and predictions are based on the statistical relationships discovered among the variables included in the models.
 - › E.g. the relationship of sales, discretionary income and gross domestic product to employment
 - **Internal SUPPLY for Human Resource:**
 - ❖ **Turnover Analysis:** to accurately forecast the demand for labour, the HR manager must know how many people will leave the organisation
 - › Labour turnover may result from employee retirement, death, illness or disability, resignation, retrenchment or termination
 - › Employees may also quit because of dissatisfaction with their working conditions, pay and benefits, training and development, promotional opportunities, relationship with colleagues and so on
 - ❖ **Markov Analysis:** mathematical technique used to forecast the availability of internal job candidates
 - › Matrix is developed to show the probability of an employee moving from one job to another or leaving the organisation
 - **Qualitative Approach:** uses expert opinion (usually a line manager) to predict the future
 - E.g. the marketing manager will be asked to estimate the future personnel requirements for the marketing department
 - Focus is on evaluation of employee performance and the promotability as well as management and career development
 - **Internal DEMAND for Human Resources**
 - ❖ **The Delphi Technique:**
 1. Panel of experts, such as key line managers, make independent anonymous predictions in answer to questions relating to HR planning
 2. The responses are analysed by the HR department and the confidential results are fed back to the experts along with another series of questions
 3. Managers revise their original estimate in light of the new information
 4. Process is repeated until a consensus forecast is obtained
 - ❖ **The Nominal Group Technique:** group based forecasting method
 1. After a problem has been presented, each team member, without discussion, independently generates as many solutions as possible and writes them down
 2. Each members describes a solution to the group, and no criticism or debate is undertaken, but team member can seek clarification
 3. After all the solutions has been presented, the group members silently and independently rank each proposed solution
 4. The solution with the highest total ranking becomes the final decision
 - **Internal SUPPLY for Human Resource:**
 - ❖ **Skill Inventory:** consolidates basic information on all employees within the organisation
 - › **Allows HR Managers to:**
 - ➡ Identify qualified employees for different jobs
 - ➡ Determine which skills are present or lacking in the organisation
 - ➡ Assess longer term recruitment, selection, and training and development requirements
 - › **Information that can be listed as skills inventory includes:**
 - ➡ **Personal Data:** age, sex, marital status, provides it is job related (E.g. young male actor)