1

strategic importance of human resource management

Chapter Objectives

*After studying this chapter, you should be able to:*

Discuss the objectives of human resource management.

Identify steps in strategic management of human resources.

Explain how human resource departments are organized and function.

Discuss the role of human resource professionals in today’s organization.

BS00580_ PowerPoint® Slides

*Canadian Human Resource Management* includes a complete set of Microsoft PowerPoint® files for each chapter. (Please contact your McGraw-Hill Ryerson representative to find out how instructors can receive these files.) In the lecture outline that follows, a reference to the relevant PowerPoint slide for this chapter is placed beside the corresponding lecture material. The slide number helps you to see your location in the slide show sequence and to skip slides that you don’t want to show to the class. (To jump ahead or back to a particular slide, just type the slide number and hit the Enter or Return key.)

BS02064_ Lecture Outline (with PowerPoint® slides)

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| Strategic Importance of Human Resource Management  Slide 1  Learning Objectives  Slide 2  What is HRM?  Slide 3  The Interconnectivity of Human Resource Management Activities  Slide 4  Strategic HRM  Slide 5  Proactive HRM  Slide 6  Step 1: Organizational Mission, Goals, and Strategy  Slide 7  Step 2: Economic Scan  Slide 8  Four Critical Economic Forces  Slide 9  Economic Force: Economic Cycles  Slide 10  Economic Force: Global Trade  Slide 11  Economic Force: Global Trade  Slide 12  Economic Force: Productivity and Innovation Improvement  Slide 13  Technological Force: Flexible Work Design  Slide 14  Technological Force: Connectivity  Slide 15  Technological Forces: Mechanization  Slide 16  Demographic Force: Gender Balance in the Workplace  Slide 17  Distribution of Gender in the Workforce in Different Industries  Slide 18  Demographic Force: Shift Toward Knowledge Workers  Slide 19  Demographic Force: Educational Attainment of Workers  Slide 20  Demographic Force: Aging Population  Slide 21  Demographic Force: Generational Shift  Slide 22  Cultural Force: Diversity & Ethics  Slide 23  Step 3: Organizational Character and Cuklture  Slide 24  Step 4: Choice and Implementation of Human Resource Strategies  Slide 25  Step 5: Review, Evaluation, and Audit of Human Resource Strategies  Slide 26  The Organization of HRM  Slide 27  The Human Resource Department in a Small Organization  Slide 28  The Organization of HRM  Slide 29  A Large Human Resource Department  Slide 30  The Service Role of the HR Department  Slide 31  Today’s HR Professional  Slide 32 | strategic importance of human resouce managementIntroduction—WHAT IS HRM?HRM is the leadership and management of people within an organization using systems, methods, processes, and procedures that enable employees to optimize their performance and in turn their contribution to the organization and its goals.HRM aims to support and enable organizations to meet their short- and long-term economic, social, and environmental goals.STRATEGIC HUMAN RESOUCE MANAGEMENT• A strategy is similar to a game plan and is linked to the strategic needs of an organization—formulated at three levels: corporate, business, and functional• Strategic human resource management is the process of integrating the strategic needs of an organization into the choice of human resource management systems and practices• Human Resource strategies and tactics must be mutually consistent—strategies may fail if they are not supported by effective tactics, i.e. methods and procedures• Human Resource strategies need to reflect the organization’s mission and strategies, i.e., be consistent with organizational prioritiesPROACTIVE HRM STRATEGIESStrategic HRM should be proactive rather than reactive.• **Proactive**-- Strategic HRM often enables an organization to anticipate a problem and respond to it before causing damage to the organization-- Occurs when HR problems are anticipated and corrective action begins before the problem exists• **Reactive**-- Occurs when decision-makers respond to HR problemsUnderstanding the strategic Hrm processSTEP 1. Organizational mission and goals analysis• The organization’s overall mission and goals guide the human resources that are needed to fulfil the mission and goals• For instance, goals such as productivity (or revenue surplus), organizational growth, employee satisfaction, efficiency, ability to adapt to environmental changes, etc., will help to identify human resources strategiesThere are three generic organizational strategies:• **Cost Leadership strategy:** Aims to gain competitive advantage through lower costs, e.g., seek efficiency and use tight controls• **Differentiation strategy:** Focuses on creating a creating a distinctive or unique product that is unsurpassed in quality, innovative design or other feature, i.e., achieved through product design, unique technology, or even advertising and promotion• **Focus strategy:** Concentrates on segment of the market and attempts to satisfy that segment’s with a low-priced or highly distinctive productStep 2. Environmental scan• Continuous monitoring of economic, technological, demographic, and cultural forces and noting changes in governmental policies, legislation, and statements• The environmental scan includes the following economic forces: economic cycles, global trade, productivity and innovation improvement*Economic Force: Economic cycles* • The Canadian economy goes through boom and bust cycles, which are often linked to boom and bust cycles in other economies• During recessionary periods, HR managers face challenges associated with layoffs, wage concessions, and the lower morale that accompanies recessions.• During boom cycles, HR managers must consider how to recruit and develop the organization’s talent base.***Economic Force: Global trade***• For Canada, international trade has always been a crucial issue-- Canada ranks high among exporting nations, exporting more than U.S. and Japan on a per capita basis-- Canadian jobs and economic prosperity depend upon international trade*Economic Force: Productivity and Innovation Improvement*• Productivity refers to the ratio of an organization’s outputs (goods and services) to its inputs (people, capital, material, and energy)-- Productivity improvement is essential for long-term success i.e., to reduce costs, save scare resources, and enhance profits• HR professionals contribute to improved productivity directly by finding better, more efficient ways to meet their objectives and indirectly by improving the quality of work life for employees•• Productivity levels in the U.S., consistently outpace those in Canada• In recent years, Canada’s ability to innovate and create wealth has not kept pace with other countries—Canada ranked ninth as compared to sixth a decade ago.• Canada only holds 2% of the world’s patents, while the U.S. and Japan hold 60%• Without innovation, productivity differences tend to increase.• These increasing productivity differences will put great pressure on human resource professionals as they look for ways to create additional productivity efficiencies.The environmental scan includes technological forces: flexible work design, connectivity, and mechanization***Technological Force: Flexible Work Design***• An unprecedented degree of technology has changed the way we work, play, study, and entertain ourselves, while access to information has affected the way several organizations conduct their business.• Technology has brought flexibility into when and where work is carried out. For instance, employees can work without leaving their homes through **telecommuting*****Technological Force: Connectivity***• Connectivity and technology have disrupted the way organizations operate.• More effective knowledge management – the process of capturing organizational knowledge and making it available for sharing and building new knowledge – has been another outcome of digital information systems• Information management systems store integrated information that can be accessed quickly and accurately• The internet has had a profound impact on human resource activities through social networking sites, video-sharing sites, wikis, blogs, and other interactive opportunities to own and control data, and add value to the applications used.***Technological Force: Mechanization***• Organizations automate to increase speed, provide better service to customers, increase predictability in operations, achieve higher standards of quality in production, and increase flexibility• May use robots to replace boring or hazardous jobs• Mechanization is not without its own HR challenges. For instance, an emergent field of additive manufacturing requires skilled designers, operators, and technicians.The environmental scan also includes demographic forces: gender balance in the workforce, shift towards knowledge workers, educational attainment of workers, aging population, generational shiftDemographics of the labour force describe the composition of the workforce e.g. education levels, age. Demographic changes occur slowly and can usually be predicted with considerable accuracy.*Demographic Force: Gender Balance in the Workplace*• Nearly 48% of the workforce in 2015 are women• Women accounted for 70% of employment growth in Canada in last twenty years-- Raises importance of child care, work-family balance, dual career families, and employment equity*Demographic Force: Shift toward knowledge workers*• Shift from employment in primary and extractive industries to service, technical, and professional jobs; over 78% of the total labour force is employed in service producing industries.-- Information workers (data and knowledge workers) and non-information workers-- Knowledge workers have been the fastest growing type of workers in Canada—organizations need to attract, retain, and retrain these knowledge workers*Demographic Force: Educational attainment of workers*• Increases are expected to continue, however, 9% of women and 15% of men drop out of school; currently more than 5.2 million Canadians lack basic school certificate or diploma.*Demographic Force: Aging Population*• Average age of the workforce is increasing (impending “old age crisis”), along with the general aging population in Canada• In 2016, the age group comprising those age 65 and over will form 16.5 percent of the population. By 2060, this proportion will increase to 25.4 percent. Conversely, the age category between 15 and 30 years old will decrease from 19.3 percent to 16.9 percent of the population over the same time frame.-- Pressure for expanded retirement benefits, variable work schedules, coordination of government benefits with company benefits, and retraining programs, etc.*Demographic Force: Generational Shift*• The Baby Boomers, Generation X, and Generation Y are qualitatively different workers• Although the differences within groups may be wider than the differences between groups, understanding that people have different expectations from their workplaces is a useful starting point**The environmental scan also includes cultural forces: diversity, ethics***Cultural Force: Diversity*• Canadian society is a cultural mosaic—Canada encourages maintaining unique culture and heritage vs. U.S. “melting pot”-- Brings opportunities and challenges for an HR department*Cultural Force: Ethics*• Ethical conduct of business is becoming an increasingly important issue. Managers should understand different ethical perspectives and take into account the ethical implications of their decisions.Step 3. Analysis of organizational character and culture• Human resource strategies should be formulated only after a careful look at the organization’s character: its employees, objectives, technology, size, age, unions, policies, successes, and its failures. Character reflects the organization’s past and shapes the future.• Each organization has a unique culture—core beliefs and assumptions that are widely shared by all organizational members. Need to be familiar with and adjust to the culture of the organization.STEP 4. Choice and implementation of human resource strategiesStrategic choice and implementation involved identifying, securing, organizing, and directing the use of resources both within and outside the organization.• Ultimately, there should be a clear line of sight between the human resource strategy and the corporate goals.• The HR strategy must reflect every change in the organizational strategy and support it.• In formulating strategies, the HR department must continuously focus on the following 5 groups of activities:• **Planning Human Resources**—Job Analysis, HR Planning• **Attracting Human Resources**—Meeting Legal Requirements, Recruitment• **Placing, Developing and Evaluating Human Resources**—Training, Development, Career Planning, Performance appraisals• Motivating Employees—Compensation, Benefits, Employee Motivation• Maintaining High Performance—Employee Relations, Meeting the Needs of a Diverse Workforce, Safety, Union Relations**Note:** Defined action plans with target achievement dates are required to ensure effective implementation of HR strategiesSTEP 5. Review and evaluation of human resource strategies• Strategies should be examined periodically for their continued appropriateness and with consideration for changing factors, e.g., technology, environments, internal factors, etc.• A human resource audit involves a holistic examination of the human resource policies, practices, and systems of a firm (or division) to eliminate deficiencies and improve ways to achieve goals• HR departments must also focus on looking to the future to be proactive in their orientationTHE ORGANIZATION OF HRM**The Human Resource Department in a Small Organization**• A separate HR department emerges in an organization when the human resource activities become a burden to other departments—often emerges as a small department or an individual reporting directly to a middle-level manager-- Typical duties include maintaining employee records, helping managers find new recruitsA Large Human Resource Department• As the organization grows, the HR department usually grows in impact/complexity and specialists are added, often in the areas of employment, compensation, training, safety, employee and labour relations• Greater importance of the head of human resources may be signified by a change in title to “Vice President”THE SERVICE ROLE OF THE HR DEPARTMENT• **Staff Authority**-- Human resource departments are service departments. They exist to assist employees, managers, and the organization-- Authority to advise, not direct managers in other departments• **Line Authority**-- Possessed by managers of operating departments, allows these managers to make decisions about production, performance and people• **Functional Authority**-- In highly technical or extremely routine situations, the human resource department may be provided the authority to make decisions usually made by line managers or senior managers, e.g., deciding the type of benefits provided to employeesTODAY’S HUMAN RESOURCE MANAGEMENT PROFESSIONAL• In the last thirty years, there has been an enormous growth in the number of HR managers (1971: 4,055; 1999: more than 43,000)-- HRM has been slow to evolve into a full-fledged profession• Human Resource managers expected to possess competencies including: Mastery of HRM Tools, Change Mastery, Personal Credibility• CCHRA (Canadian Council of Human Resources Associations), a collaborative effort of HR Associations from across Canada, coordinates the nationally recognized designation in HR called the **CHRP** (Certified Human Resources Professional) |

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|  | answers to review and Discussion Questions |

**1. What are the goals of a human resource department? Choose an organization that you are familiar with and indicate which of these goals will be more important in this organization and why.**

Strategic HRM is systematically linked to the strategic needs of an organization and aims to provide it with an effective work force while meeting the needs of its members and other constituents in society. HRM aims to improve the productive contribution of individuals while simultaneously attempting to achieve other societal and individual objectives. In practice, this means that the department is attempting to achieve the organizational, functional, societal, and individual (or personal) goals of employees wherever feasible. Today’s organizations must be able to survive and compete in a vastly changed world, where high productivity and effectiveness are cornerstones to success. The HR department aims to achieve these goals while at the same time attempting to satisfy societal and employee individual needs.

**2. Draw a diagram of a HR department in a firm that employs over 5,000 persons, and name the likely components of such a department. Which of these functions are likely to be eliminated in a small firm employing 50 persons?**

See Figure 1-14in the text. In a small firm, the middle-level managers are likely to be eliminated.

**3. Identify and briefly describe three major external challenges (choosing one each from economic, technological, and demographic categories) facing human resource managers in Canada and their implications.**

Examples can be taken from Figure 1-3

**4. Outline the three major strategies pursued by Canadian businesses. What implications do they have for human resource function within the firms? Illustrate your answers with suitable examples.**

The three major strategies are cost leadership, focus, and differentiation.

**5. What are four trends (or attributes) in the Canadian labour market that have implications for a human resource manager? Explain your answer citing which of the HR functions will be affected and how.**

Trend 1: The increasing number of women in the work force. HR Dimensions: Benefits (child care, counselling for two-career families), recruitment, selection (employment equity, promotion).

Trend 2: Shift toward knowledge workers. HR Dimensions: Recruitment and Selection (recruitment strategies, selection criteria), training and development (special programs), compensation (pay for knowledge, not skills).

Trend 3: Educational attainment of workers. HR Dimensions: Training and development (re-training programs), compensation (incentives).

Trend 4: Aging population. HR Dimensions: Training (re-training programs), benefits (coordination of government and company benefits), work options (variable work schedules).

Trend 5: Generational Shift. HR Dimensions: Recruitment, training, benefits (what is desirable), work options (flexibility).

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|  | answers to Critical Thinking Questions |

**1. Suppose your company is planning a chain of high-quality restaurants to sell food products that the company already produces. Outline which areas of human resource management will be affected.**

Virtually every area of human resource management will be affected. Initially, consideration will have to be given to human resource planning, recruitment, selection, training, compensation, and overall employee communications and relations. Once the business is established, plans nor the further development of present employees, career planning, and performance evaluation will have to be undertaken.

**2. If a bank is going to open a new branch in a distant city, with what inputs will the human resource department be concerned? What activities will the department need to undertake in the transition to a fully staffed and operating branch? What type of feedback do you think the department should seek after the branch has been operating for six months?**

The primary inputs of concern to the human resource department are the availability of the needed workers in the branch bank’s locale, staffing requirements, and anticipated salary levels.

Creating a fully operating branch requires a plan for the human resources needs and then to recruit, select, hire, and train the personnel.

Perhaps the most important feedback the human resource department should seek after the branch has operated for six months is an evaluation of employee performance. This information enables the human resource department to assess how successful it was in conducting the necessary human resource activities needed to start the branch bank.

**3. Find two recent news items and explain how these developments might affect the demands made on the HR department of an organization.**

Answers will vary.

**4. Suppose the birthrate during the early 2000s was to double from the low rates of the 1990s. What implications would this growth have in the years 2020 and 2030 for (a) grocery stores, (b) fast food restaurants, (c) Canadian Armed Forces, (d) large metropolitan universities?**

(a) Grocery store: it will probably be easier to hire staff due to larger supply, more difficult for older workers to find jobs.

(b) Fast food restaurants: can be selective in hiring; large supply (higher selection ratio); lower turnover due to lack of alternatives.

(c) Canadian Armed Forces: more applicants; higher selection ratio; higher quality recruits.

(d) Large metropolitan university: higher enrolment; higher staffing needs; higher revenues.

**5. Assume you were hired as the human resource manager in a firm that historically gave low importance to the function. Most of the human resource management systems and procedures in the firm are outdated. Historically, this function was given a low-status, “record-keeping” role within the firm. Armed with sophisticated HR training, you recently entered the firm and want to upgrade the HR systems and status of the department. In other words, you want to make management recognize the true importance of sound HR practices for strategic success. What actions will you take in the short and long term to achieve your goals? Be specific in our action plans and illustrate your steps where relevant.**

Answers will vary. Short-term suggestion: Make HRM relevant to line managers. Show some tangible benefits (e.g., improved communication, faster processing of departmental requests). Medium and Long term: Encourage their input in formulating the overall HR strategy and policies; encourage human resource audit to bring about continuous improvements; show tangible contributions (e.g., reduced employee turnover, better morale, reduced absenteeism; better legal compliance).

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| BD00028_ | ethics question |

Comments to Instructors

There is no right or wrong answer to this question. It is for class discussion purposes.

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| PE01561_ | web research |

Comments to Instructors

These exercises have been designed for students to demonstrate their computer and Internet skills to research the required information. Answers will vary

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|  | incident 1.1: human resource decision making at calgary importers ltd. |

Incident Comments

A constantly recurring issue between human resource departments and operating managers is who should make critical human resource-related decisions. Operating managers claim they are responsible for results, therefore, they should have the authority to hire, fire, compensate, and perform other human resource activities. However, when operating managers are given complete control, inequities and inconsistencies arise.

**If you were president of Calgary Importers Ltd. And were asked to resolve this dispute, which argument would you agree with? Why?**

Because managers are responsible for their performance, the president risks depriving these managers of the authority they need to do their jobs if they are not allowed to make human resource decisions about their staff. Thus, supporting the line manager’s need for decision-making authority seems reasonable arrangement. However, when different managers make decisions looking at only departmental needs, consistency in overall HR practices may be lost. The result could be confusion, sense of inequity on the part of employees and potential legal violations

**Can you suggest a compromise that would allow line managers to make these decisions consistently?**

Most organizations strive to achieve consistency in their human resource decision making without depriving the manager of the authority to make decisions. This compromise approach results in operating managers being able to make decisions within the department’s guidelines. Usually these decisions, particularly with respect to major changes, are subject to review by the department’s specialists. If the review by the human resource department uncovers inconsistencies, the manager is advised of the problem and given an advisory recommendation to remove the inconsistency. If the manager persists in ignoring the policy or advice, managers at higher levels are consulted.

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|  | Incident 1.2: Canadian Bio-Medical Instruments Ltd. |

Incident Comments

When enterprises expand internationally, many new considerations have to be taken into account. Besides cross-cultural issues, local constraints will have to be considered. International HRM requires creativity, tolerance, and adaptability at all levels of management.

**Assume you are the vice-president in charge of human resources. What additional information would you want these three employees to find out?**

Apart from legal details, the firm would want to find out, among other things:

* the availability of locally qualified personnel
* the local salary levels and benefits
* the cost of living
* immigration and work permit requirements for foreign nationals
* the structure and work climate in a typical German firm of this size (including the degree of worker participation present)
* major unions in the industry and their policies
* safety and health requirements for employees

**What human resource issues or policies are you likely to confront in the foreseeable future?**

* hiring of employees (either locally or in Germany)
* training of employees who have to work in Germany in that country’s customs, laws, living conditions, and work ethic (in the case of Canadians who are hired to work in Germany)
* safety, health, and employment laws
* compensation issues
* performance appraisal criteria for expatriate managers and staff
* planning the career path of expatriate managers on their return after assignments. Research shows that a substantial number of expatriates leave their employer because of the employer not meeting their expectations on their return.
* communication with expatriate employees and managers

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|  | chapter case study: Maple leaf shoes ltd., a strategic management exercise |

Answers to Discussion Questions

**1. What are some changes within Maple Leaf Shoes and in its environment that have caused a shift in its strategy? List the challenges facing the company using the classification provided in your text.**

Students may point out any of the number of changes that have occurred in the firm and its environments. Samples include:

* The firm’s cost of production is on the rise.
* There seems to be more competition, especially based on price. Maple Leaf Shoes’ prices are no longer very low priced compared to those of other manufacturers.
* Remaining non-managerial staff are about to be unionized.
* There is increasing competition from abroad. Several of the new competitors are from countries such as Mexico and Thailand, which have lower labour costs.
* The planned facilities in Indonesia (and plans to enter India and Mexico) raise new HR challenges in the areas of managerial training (especially those who have Asian assignments), diversity training, and developing new HRM policies and systems to be suitable for an international organization.
* There is a lack of well-trained managerial and supervisory staff. The growth plans will make this even more apparent in future.

Several of the challenges listed in Figure 1-3, can be added to the above list.

**2. Assume that you are hired as a consultant to help the firm hire a new human resource manager. What immediate and long-term job responsibilities will you identify for the new job incumbent?**

The immediate priorities will be:

* Meeting human rights legislation requirements and the requirements imposed by various federal and provincial laws.
* Preparing for contract negotiations with unions.
* Job analysis of key functions and task holders to set the stage for cost-reduction proposals.
* Employee relations, especially fostering communication with employees and improving the overall morale by establishing necessary administrative systems.

The long-term priorities will be:

* Training and developing managers and other staff to prepare them for future expansion.
* Employment planning, which will also involve the preparation of skills inventories and replacement charts, and employee career counseling. This will also have to be tied to a performance appraisal system.
* Facilitating organizational changes to accommodate new priorities imposed by growth and expansion.

**3. Identify three sample objectives of the human resource department at Maple Leaf Shoes and list associated strategies and action plans to be implemented by the department.**

There may be a number of acceptable answers here. It is recommended that the instructor evaluate the objective for its clarity and rationale. Financial information is given in Table 1.

For example: The objective may be:

“To train 20 percent of the current managerial staff in topics X, K, and Z by 15-7-2012 at a cost not exceeding $\_. The trained managers should be able to do (a) \_\_\_\_ , (b) \_\_\_\_ , and (c) \_\_\_\_\_\_\_\_ satisfactorily.”

This could translate into actions such as:

1. Identifying the sample of managers who need training. Thus, the training needs analysis must be completed by a set date (with monetary and resource constraints attached to it).
2. The training methodology must be identified next, choosing from lecture, role playing, computer simulation, on-the –job training, etc.

Once again, the person responsible for each action and the date by which the action must be completed is to be identified.

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|  | case study: canadian pacific and international bank |

Answers to Discussion Questions

**1. What are some major challenges facing CPIB?**

The major challenge to CPIB is to improve its competitive position by becoming ore innovative. Specifically, technological developments have allowed for electronic banking and virtual banks with lower overhead costs. Further, shareholders have been demanding more voice in bank decisions. More broadly, CPIB operates in a highly regulated industry. Due to such regulations, Canadian banks feel they are at a disadvantage relative to U.S. banks.

**2. What are the specific implications for the human resource function?**

HRM must take a proactive approach to meet the technological and competitive challenges. This includes a thorough environmental analysis to identify environmental threats and opportunities. Such an analysis may suggest adopting cutting-edge technology, for example. The type of organization strategy that CPIB adopts will greatly affect HR priorities and practices. If a focus strategy is used, this would indicate a high emphasis on training, with moderate emphasis on both skill application and flexibility to change.

**3. What suggestions do you have for the current challenges faced by the HR function?**

The bank should adopt a differentiation strategy because this is consistent with their history of capitalizing on opportunities, especially in opening up in foreign markets. It should continue to innovate technologically as it did before as a key player in the development of e-commerce. To address the concerns of shareholders, CPIB should emphasize it s lean operations yet still maintain its practice as a good corporate citizen. Adopting such a strategy means that employees should be selected on the basis of broad skills and their creativity and innovation, while training and development are given high emphasis. HRM should foster an environment that encourages employee flexibility to deal with change.