**PART ONE: HUMAN RESOURCES MANAGEMENT IN PERSPECTIVE**

CHAPTER 1

**THE STRATEGIC ROLE OF HUMAN RESOURCES MANAGEMENT**

##### LEARNING OBJECTIVES

1.1 Define human resources management and analyze how it relates to the management process.

1.2 Describe the value of HR expertise to non-HR managers and entrepreneurs.

1.3 Explain how HRM has changed over recent years to include a higher-level advisory role.

1.4 Identify tools to help make evidence-based HRM decisions.

1.5 Describe the core HR competencies and professionalism of the HRM function.

1.6 Discuss the internal and external environmental factors affecting human resources management policies and practices, and explain their impact.

###### CHAPTER SUMMARY

This chapter focuses on the strategic role of HRM and HR professionals in today’s business context. Strategic HRM links the management of people to strategic goals and objectives to improve business performance. Specific roles of HR professionals illustrate the new partnership between HRM and organizational managers and executives. Specific areas of HR activity, operational and strategic, show how HRM has gone beyond its traditional administrative role.

The chapter also considers that many employers are changing how they organize their human resource functions. The chapter looks at the professional designations in Canada. The chapter concludes with a look at the external factors that impact HRM, including economic factors, labour market issues, technology, government, globalization, and environmental concerns, as well as internal environment influences.

### LECTURE OUTLINE

**Where Are We Now . . .**

The purpose of this chapter is to explain what human resources management (HRM) is, and why it’s important to all managers. We’ll see that human resources management activities— such as hiring, training, appraising, compensating, and developing employees—are part of every manager’s job. And we’ll see that human resources management is also a separate function, usually with its own human resource or HR manager.

1. **THE STRATEGIC ROLE OF HUMAN RESOURCES MANAGEMENT**

**Learning Objective 1.1** Define human resources management and analyze how it relates to the management process.

**Learning Objective 1.2** Describe the value of HR expertise to non-HR managers and entrepreneurs.

1. What do managers do?
	* Organization – consists of people with assigned roles who work together to achieve organization’s goals.
	* Managers are responsible for managing efforts of people to achieve organization’s goals.
	* Managing involves planning, organizing, staffing, leading, and controlling – that is the management process.
2. **Human resources management** is the management of people in organizations:
	* Attracting, retaining, and engaging the diverse talent required to meet operational and performance commitments made to customers and shareholders.
	* Find and hire the best individuals available.
	* Develop their talent.
	* Create a productive work environment.
	* Continually build and monitor the workforce.
3. HRM involves formulating and implementing HR systems (e.g. recruitment, performance appraisal, and compensation) that are aligned with organizational strategy (see Figure 1.1). This ensures that necessary competencies and behaviours will be available to meet strategic goals.
4. **Strategy and Human Capital**
5. **Strategic plan** is the company’s overall plan for how it will match internal strengths and weaknesses with external opportunities and threats in order to maintain a competitive advantage.
6. **Strategy** is a course of action the company pursues to achieve its strategic aims.
7. **Strategic management** is the process of identifying and executing the organization’s strategic plan.
	* Company’s policies and practices support strategic goals.
8. **Human capital** is the knowledge, education, training, skills and expertise of the workforce.
	* Knowledge-based economy depends on acquisition and development of superior human capital.

Research has shown that strategically aligned systems of HR practices are related to better organizational performance and competitive advantage. The resource-based view of the firm suggests that HR practices contribute to the development of embedded knowledge of a firm’s culture, history, processes, and context, which are non-imitable (hard to copy by competitors).

Three specific HR practices (profit sharing, results-oriented performance appraisal, and employment security) are strongly related to accounting measures of firm performance, such as return on assets and return on equity. A more extensive set of practices, known collectively as high-performance HR practices, have a positive relationship with turnover, productivity, and corporate financial performance (gross rate of return on capital).

**Teaching Tip:** This is a critical section for getting buy-in from students in quantitative disciplines/fields (e.g. economics, finance, accounting, and engineering) who may see HR as more trivial and less important than their other courses. Have students guess how much of a difference effective HR makes, then share the statistics and graphs from empirical research. If using this text for an MBA class you can assign one or more articles as class preparation.

1. **Why Is Human Resources Management Important to All Managers?**

Entrepreneurs, employees, HR managers, and all managers in small, medium, and large businesses should be educated on human resources management to avoid mistakes in hiring, managing employee performance, avoiding discriminatory, unfair, and unsafe practices in organizational management and performance.

Mistakes managers don’t want to make:

* + Hire the wrong person for a job
	+ Experience high turnover
	+ Have employees work below performance expectations
	+ Waste time with useless interviews
	+ Face legal problems because of discriminatory actions
	+ Break occupational safety laws for unsafe practices
	+ Set unfair salaries and compensation among employees
	+ Allow lack of training undermine department’s effectiveness
	+ Commit unfair labour practices.

HR is critical in wide variety of public and private sector organizations.

1. **THE EVOLUTION OF HRM**

**Learning Objective 1.3** Explain how HRM has changed over recent years to include a higher-level advisory role. Identify tools to help make evidence-based HRM decisions.

1. **A Brief History of HRM**
2. Thousands of years ago ancient armies attracted, selected, trained and motivated workers.
3. Later 1800s in the post-Industrial Revolution set up “welfare offices” to manage labour problems.
4. By 1900s the first “hiring offices” and training programs were the early stages of personnel management.
5. In the 1930s union laws expanded the role of HR.
6. In the 1970s and 1980s made employers more reliant on personnel management to avoid discrimination claims.
7. 1980s and 1990s technological advances resulted in **outsourcing** many operational HR activities.
8. Today, economic and demographic trends make finding, hiring, and motivating employees more challenging.

The role of HR departments has evolved to helping organizations achieve strategic objectives.

1. **Shared Responsibility for Talent Management**

Trend is to shift back to having line managers do more of the personnel tasks.

HR is becoming “fully embedded in how work gets done throughout an organization.”

**Teaching Tip:** Discuss in teams **Figure 1.2.** **HR and Senior Manager Roles**.

1. **The New HR Manager**
2. Traditional personnel tasks are expanding to include strategic planning, marketing, production, and finance.
3. HR professionals serve as subject-matter experts and consultants to line managers.
4. HR professionals need broad-based business knowledge and skills.
5. HR function organizing is changing to focus on employee segments (executive, technical, rank-and-file) to ensure each segment gets the specialized attention they require.

**Teaching Tip**: **Expert Opinion: Academic Viewpoint.** Discuss the questions/answers. Ask students if they have any experience with or opinions on Question #2 topics.

1. Organization of HR function is changing to focus on employee segments rather than HR tasks:
	* HR teams focus on each employee segment performing tasks such as recruitment, and training by paying special attention to a segment such as executives or technical employees.
	* Other HR configurations:
* Transactional HR teams – specialized support in day-to-day activities.
* Corporate HR teams – assist top management.
* Embedded HR teams – assigned to functional departments.
* Centres of expertise – specialized HR consulting teams.
1. **EVIDENCE-BASED HRM**

**Learning Objective: 1.4** Identify tools to help make evidence-based HRM decisions.

A major contribution of HRM is making decisions based on evidence-based human resource management. This is the use of data, facts, analytics, scientific rigor, critical evaluation, and critically evaluated research/case studies to support human resource management proposals, decisions, practices, and conclusions.

**Evidence-based human resource management** means using the best-available evidence in making decisions about the human resource management practices.

Evidence may come from:

1. Actual measurements
2. Existing data
3. Research studies

Use of various **metrics** or statistics to measure the activities and results of HR is common. Today’s measures reflect the quality of people and the effectiveness of HRM initiatives which can be linked to organizational outcomes.

1. **Strategic HRM Tools**
2. **Strategy map** summarizes how each department’s performance contributes to achieving the company’s overall strategic goals.
3. **Balanced scorecard** includes measures of the impact of HRM on organisational outcomes.
	* Translates organization’s strategy into a comprehensive set of performance measure.
	* Complements financial measures with operational measures of business units or departments.
	* Balances long-term and short-term actions.

**Teaching Tip:** Point out to students that the balanced scorecard forces managers to consider both the short-term (financial) and long-term (customer, human capital management and operations performance) perspectives of their organizations.

1. **Digital dashboards** Figure 1.3 (LO 1.4) present managers with desktop graphs and charts, showing how the company is doing on all the metrics from the HR scorecard process.

V. GROWING PROFESSIONALISM IN HRM

**Learning Objective 1.5** Describe the core HR competencies and professionalism of the HRM function.

HR practitioners must be professionals in terms of both performance and qualifications.

Prevalent characteristics for every profession:

1. Common body of knowledge
2. Benchmarked performance standards
3. Representative professional association
4. External perception as a profession
5. Code of ethics
6. Required training credentials for entry and career mobility
7. Ongoing need for skill development
8. Need to ensure professional competence is maintained

**Certification** by a professional body indicates that certain standards have been met. Chartered Professionals in Human Resources (CPHR) designation is recognized across Canada, except for Ontario.

Common national designation is in the best interest of HR professionals. Table 1.1 lists the HR associations in Canada by province and designation.

Other specialized designations exist to recognize a deeper level of subject matter expertise in areas such as benefits, recruitment, payroll, and training and development.

**Teaching Tip**: Have students explore HR association websites and compare them to websites for other professions. Assign students to read one or more portions of the Canadian HR Reporter and bring recent cases, issues, articles to class or submit them as a reflection exercise.

1. **Ethics**

Professionalization of HRM has created the need for a uniform **code of ethics**, as agreement to abide by the code of ethics is one of the requirements of maintaining professional status. Since what is ethical or unethical is generally open to debate (except in a few very clear-cut cases such as wilful misrepresentation), most codes do not tell employees what they should do.

The most prevalent ethical issue today pertains to **security of information**, employee and client **privacy**, **environmental issues**, **governance**, and **conflicts of interest**.

Major reasons for **failure** of ethics programs:

1. Lack of effective leadership.
2. Inadequate training.

**Positive outcomes** of ethics programs:

1. Increased confidence among stakeholders, such as clients, partners, and employees.
2. Greater customer and employee loyalty.
3. Decreased vulnerability to crime.
4. Reduced losses due to internal theft.
5. Increased public trust.

In recent years, the concept of **social responsibility** has been discussed as an important manifestation of ethics. A company that exercises social responsibility attempts to balance its commitments, not only to its investors, but also to its employees and customers, other businesses, and the community or communities in which it operates.

Mountain Equipment Co-op (MEC) in Vancouver is an excellent example of a successful organization that adheres to the concept of social responsibility in all its efforts and operations.

**Teaching Tip:** Have students peruse the MEC website and then compare their social responsibility efforts to another organization of their choosing.

**VI. ENVIRONMENTAL INFLUENCES ON HRM**

**Learning Objective 1.6** Discuss the internal and external environmental factors affecting human resources management policies and practices, and explain their impact.

**Table 1.2** illustrates the major external and internal environmental influences on HRM

1. **External Environmental Influences**
2. **Economic Conditions:** **unemployment**, **productivity**, **primary, secondary, tertiary** **sectors** growth/decline affect demand for products and services, therefore demand and supply of workers.
	* Productivity: Canada’s relatively low productivity growth rate is of concern because of increasing global competition.
	* Employment trends: growth of the service sector, decrease in the primary and secondary sectors.
3. **Labour Market Issues:** workforce diversity, generational issues (Table 1.3, LO 1.6), and education levels affect not only the characteristics of workers but also change traditional employment patterns and relationships.
	* Literacy levels (Figure 1.3, LO 1.6) present a direct impact on individual social and economic opportunities, as well as organizations’ accident and productivity rates.

**Teaching Tip:** In teams have students analyze the different generations in the workplace as shown in Table 1.3. Discussion should centre around the impact of different generations in the workplace. Students may have own examples of experiences. In addition, have a second discussion on the impact of literacy levels on HR management as shown in Figure 1.3.

1. **Non-standard or Contingent Workers**

Contingent (or “non-standard”) workers do not fit the traditional definition of permanent, full-time employment with the same employers on an indeterminate basis. Often used to provide flexible, on-demand labour, without guarantees for continued employment. Maybe poorly paid.

Other numerically significant non-standard workers: part-time, fixed-term, temporary, home, and standby workers; those who have more than one job; self-employed.

1. **Technology**
* **Digital technologies** driving transfer of functionality from HR professionals to automation.
* Increasing use of **social media** tools: Twitter, Facebook, LinkedIn in recruitment..
* **Mobile applications** are used to monitor employee location.
* **Gaming** support many new training applications.
* **Cloud computing** enables real-time feedback to teams.
* **Data analytics** use statistical techniques, algorithms, and problem solving to identity data relationships to solve problems; specifically in **talent analytics**.

Technological change affects nature of jobs in dispersed workplace and enables people to work anywhere. New technologies raise questions about data control, accuracy, the right to privacy, and ethics.

1. **Government**
2. Government **laws** affecting the workplace continue to proliferate and are not standard across Canada. Companies with employees in multiple jurisdictions need to have a good grasp of the complexity of the legal landscape.
3. **Globalization** has brought an increase in business conducted outside of the home country, increasing the need to manage human resources in many different countries. In addition to legal differences there are also societal and cultural differences that have to be accommodated in HR practice.
4. **Environmental concerns** have led to sustainability being a key means of retaining human capital, as a growing number of workers want to work for a socially responsible organization.

**Teaching Tip:** One way to tackle this material is to have students first identify how each of these influences would affect the organization, then dig down to identify the specific impact on HRM.

1. **Internal Environment Influences**
2. **Organizational Culture**, defined as core, widely shared values, beliefs, assumptions, serves a number of purposes (communication, sense of direction and expected behaviour norms, attitudes, roles, identify, orderliness, consistency, loyalty and commitment). HR is involved in sharing stories, myths, symbols and creating ceremonies and rituals that reinforce the desired culture.
	* Communicates what the organization believes in and stands for.
	* Provides employees with a sense of direction and expected behaviour norms.
	* Shapes employees’ attitudes about themselves, the organization, and their roles.
	* Creates a sense of identity, orderliness, and consistency.
	* Fosters employee loyalty and commitment.
3. **Organizational Climate** refers to the prevailing atmosphere, or “internal weather” that exists in an organization and its impact on employees. The major factors influencing the climate are the management’s leadership style, HR policies and practices, and the amount and style or organizational communication.
	* Reflected in the level of employee motivation, job satisfaction, performance, and productivity.
	* Examples: friendly or unfriendly; rigid or flexible; innovative or stagnant.
	* Establish and maintain a positive organizational climate.
4. **Management Practices** such as flatter organizational structures, cross-functional teams and improved communication have led to increased employee empowerment.
	* Empowerment is about providing workers with the skills and authority to make decisions that would traditionally be made by managers.

**Teaching Tip:** Have students share, or discuss in teams their own experiences with organizational cultures, climates and/or management practices. Those who have work experiences may find it easy to come up with examples. The current academic institution could also be the organization students analyze.

#### DISCUSSION BOX

**Expert Opinion: Academic Viewpoint** (LO 1.3)

Responsibility for managing employees in an organization might start at the executive level (who develop the mission and vision that essentially drive the organizational strategy), but all stakeholders (employees, managers, specialists) facilitate the execution of that vision or mission. We rely on people to express the values required to meet the goals and objectives of the organization, which involves alignment of culture, incentives, process and practices that often permeate through HR.

**Teaching Tip:** Get students to discuss who is responsible for managing the added-value associated with human resources (employees) in an organization.

**KEY TERMS**

**Balanced scorecard -** A measurement system that translates an organization's strategy into a comprehensive set of performance measures. (LO 1.4)

**Certification -** Recognition for having met certain professional standards. (LO 1.5)

**Digital dashboard –** Presents managers with desktop graphs and charts, a computerized picture of where the company stands on all the metrics from the HR scorecard process. (LO 1.4)

**Empowerment** Providing workers with the skills and authority to make decisions that would traditionally be made by managers. (LO 1.6)

**Evidence-based HRM** Use of data, facts, analytics, scientific rigor, critical evaluation, and critically evaluated research/case studies to support human resource management proposals, decisions, practices, and conclusions. (LO 1.4)

**Globalization -** The emergence of a single global market for most products and services. (LO 1.6)

**Human capital -** The knowledge, education, training, skills, and expertise of a firm's workforce. (LO 1.2)

**Human resources management (HRM) -** The management of people in organizations to drive successful organizational performance and achievement of the organization’s strategic goals. (LO 1.1)

**Management process -** The five basic functions of planning, organizing, staffing, leading, and controlling. (LO 1.1)

**Manager -** Someone who is responsible for accomplishing the organization’s goals, and who does so by managing the efforts of the organization’s people. (LO 1.1)

**Metrics -** Statistics used to measure activities and results. (LO 1.4)

**Organization -** A group consisting of people with formally assigned roles who work together to achieve the organization’s goals. (LO 1.1)

**Organizational climate -** The prevailing atmosphere that exists in an organization and its impact on employees. (LO 1.6)

**Organizational culture -** The core values, beliefs, and assumptions that are widely shared by members of an organization. (LO 1.6)

**Outsourcing -** The practice of contracting with outside vendors to handle specified business functions on a permanent basis. (LO 1.4)

**Primary sector -** Jobs in agriculture, fishing and trapping, forestry, and mining. (LO 1.6)

**Productivity -** The ratio of an organization's outputs (goods and services) to its inputs (people, capital, energy, and materials) (LO 1.6)

**Secondary sector -** Jobs in manufacturing and construction. (LO 1.6)

**Social responsibility -** The implied, enforced, or felt obligation of managers, acting in their official capacities, to serve or protect the interests of groups other than themselves. (LO 1.5)

**Strategic Management -** The process of identifying and executing the organization’s strategic plan by matching the company’s capabilities with the demands of its environment. (LO 1.2)

**Strategic plan -** The company’s plan for how it will match its internal strengths and weaknesses with external opportunities and threats in order to maintain a competitive advantage. (LO 1.2)

**Strategy -** The company’s plan for how it will balance its internal strengths and weaknesses with external opportunities and threats in order to maintain a competitive advantage. (LO 1.2)

**Strategy map –** A strategic planning tool that shows the “big picture” of how each department’s performance contributes to achieving the company’s overall strategic goals. (LO 1.4)

**Tertiary or service sector** Job in public administration, personal and business services, finance, trade, public utilities, and transportation/ communications. (LO 1.6)

**CASE INCIDENT: Jack Nelson’s Problem** (LO 1.1, LO 1.2)

**1. What do you think was causing some of the problems in the bank’s branches?**

There is clearly a problem with communication, and the effects are felt in the area of employee commitment. Supervisors are not spending sufficient time on orientation and training of new employees. This may lead new employees to feel that the organization does not really care about them. Additional contributing factors include the lack of consistency in the policies and procedures of various locations. There is no cohesiveness to the staffing activities of this organization.

**2. Do you think setting up a HR unit in the main office would help?**

A human resource management department in the home office could help to establish consistent policies and procedures for staffing, orientation and training and help new employees feel welcome. A centralized unit could also collect data to create a consolidated picture of human capital in the bank to help identify internal strengths and weaknesses. On the other hand, having run their own HR activities independently to date, there may be some resistance from some of the 22 line managers who question the expertise of HR professionals.

**3. What specific functions should an HR unit carry out? What HR functions would then be carried out by supervisors and other line managers? What role should the Internet play in the new HR organization?**

This answer should build on the answer to Question 2, by identifying what HR would do versus what line supervisors/managers would do, and most importantly, how they should work as partners. In the new HR organization, the Internet could be used for environmental scanning and also dissemination of information and to reinforce the company’s culture and a positive climate.