

## **Chapter 2 CASE SOLUTION: PIONEERS IN HR ANALYTICS**

### **1. What are some reasons that more organizations do not implement HR analytics? How would you make the case for adopting HR analytics?**

Students could identify different reasons, but some possible answers might be: 1) that the HR staff is not knowledgeable about using HR analytics, 2) that senior management doesn't realize the value of HR analytics and doesn't ask or expect that type of analysis from HR. To make the case for adopting HR analytics, the HR staff could calculate some metrics and do some analysis to show senior management how the power of HR metrics and analytics is an untapped resource.

### **2. How can HR professionals develop the needed skills to analyze and interpret metrics? What resources could an HR professional consult to begin building expertise in this area?**

There are HR metrics classes through professional associations such as SHRM and there are many articles, books, and software that the HR staff could use to education themselves. Also, the HR staff could work through their local SHRM professional association to find other companies that are using HR metrics.

## CHAPTER

# 2

## STRATEGIC HR MANAGEMENT AND PLANNING

### Learning Objectives

After students have read this chapter, they should be able to:

- ✓ Summarize the strategic planning process and how it drives the organizational activities.
- ✓ Outline how strategic HR management is linked to the organizational strategies.
- ✓ Discuss how internal and external environmental factors affect HR strategies.
- ✓ List Hr strategic challenges faced by modern organizations.
- ✓ Explain how technology is affecting HR management practices and employees.
- ✓ Identify how organizations can measure and assess the effectiveness of HR management practices.

## CHAPTER 2: STRATEGIC HR MANAGEMENT AND PLANNING

### Chapter Overview

Strategic human resource management refers to the use of employees to gain or maintain a competitive advantage. There should be a close linkage between organizational and HR strategies. This chapter starts with a discussion of strategic planning including strategy formulation, the strategic planning process, strategic competencies for HR professionals, and operationalizing HR management strategies. Next, HR as organizational contributor is explored with high-performance work practices and HR effectiveness and financial performance covered.

Environmental analysis, including both internal and external factors, is presented followed by global competitiveness and strategic HR issues. Next, HR planning activities in mergers and acquisitions, before the deal, during integration, and post integration are discussed. Then some strategic

challenges are presented: managing a talent surplus, legal considerations for workforce reductions, and managing a talent shortage. Specific technology challenges are also explored and include the effects of technology on work and organizations, effects on communication, effects on work processes, and effects on HR activities.

The chapter closes with measuring effectiveness of HR initiatives. The development and use of HR metrics is explored and specific strategic HR effectiveness tools such as benchmarking, the balanced scorecard, return on investment (ROI), and HR audits are discussed.

## **Chapter Outline and Instructor Notes**

### **Suggested Content Coverage**

The **strategy** an organization follows is its proposition for how to compete successfully and thereby survive and grow. There are different approaches to strategy formation but regardless of which specific strategy is chosen, an HR strategy to have the right people in the right place at the right time will be necessary to make that overall strategy work. That is why it is commonly argued that HR should have input into the organization's overall strategy. To have input into overall strategy HR must move beyond the administrative and legally mandated tasks and add value by improving the performance of the business. To add value to the human capital, HR must have good measurements (metrics) about the HR side of the business including core competencies, and capabilities of the organization.

#### **HR Headline: Strategic Utilization of Talent Benefits Health Care Organization**

Lee Memorial Health System tapped its workers' heads and hearts to resuscitate the organization by cutting costs and preventing layoffs. Employees and physicians involved in a lean/Six Sigma project identified areas of cost reduction. Improved patient flow saved the hospital \$5 million. Modifying the employee Paid Time Off program saved \$4 million. In total, Lee reduced costs by \$45 million and increased revenues by \$25 million. They also saved 200 positions that had been slated for layoffs.

#### **Questions for Discussion:**

1. Why do you think Lee Memorial's efforts were so successful?
2. Do you think this kind of cooperation by front-line workers would be harder or easier in a manufacturing setting rather than health care? Why or why not?
3. Besides reducing costs and increasing revenues, what are some other measurements that might be used to determine success of strategic efforts?

**LOGGING ON: People Trak-Strategic HR Software** – provides strategic HR management and planning software for organizations – [www.people-trak.com/strategic\\_hr.asp](http://www.people-trak.com/strategic_hr.asp)

## I. STRATEGIC PLANNING

**Strategic planning** is the process of defining an organizational strategy, or direction, and making decisions on allocating the resources of the organization (capital and people) to pursue this strategy.

A. Strategy Formulation – The strategic planning cycle typically covers a 5-year time frame, and management considers both internal and external forces when formulating the strategic plan. **Figure 2-1** shows the strategic planning process for the organization. The guiding force behind the strategic planning process is the **organizational mission**, which is the core reason for the existence of the organization and what makes it unique. **Strategic HR management** refers to the use of employees to gain or maintain a competitive advantage. The focus of HR initiatives is evolving from a traditional emphasis to a strategic emphasis, as detailed in **Figure 2-2**.

1. Strategic Competencies for HR Professionals – the following six primary strategic competencies are critical for HR Professionals:

- *Credible Activist*
- *Culture and Change Steward*
- *Talent Manager/Organization Designer*
- *Strategy Architect*
- *Operational Executor*
- *Business Ally*

2. Operationalizing HR Management Strategies – **Figure 2-3** highlights some common areas where HR should develop and implement appropriate strategies. HR professionals provide the perspective and expertise to managers by performing the following functions:

- *Understand the business*
- *Focus on the key business goals*
- *Know what to measure*
- *Prepare for the future*

## II. HR AS ORGANIZATIONAL CONTRIBUTOR

Strategic HR management plays a significant role in the following: organizational productivity, customer service and quality, and financial contributions.

A. High-Performance Work Practices – HR practices do make a significant difference to business outcomes. Some recognized HR best practices include:

- *Incentive compensation*
- *Training*
- *Employee participation*
- *Selectivity*
- *Flexible work arrangements*

- B. HR Effectiveness and Financial Performance – **Effectiveness** for organizations is the extent to which goals have been met. **Efficiency** is the degree to which operations are done in an economical manner. The return on investment (ROI) of human expenditures is being examined closely by many firms. There are many different ways and difficulties associated with measuring the financial contributions of HR. Later in this chapter, HR metrics will highlight some HR measurement approaches.

### III. ENVIRONMENTAL ANALYSIS

A major component of strategic planning is the scanning of the external environment. **Environmental scanning** is the assessment of internal and external environmental conditions that affect the organization. The process of environmental scanning helps to pinpoint strengths, weaknesses, opportunities, and threats (SWOT) that the organization will face during the planning horizon. **Figure 2-4** shows the HR elements of a SWOT analysis.

- A. Internal Environmental Analysis – The strengths and weaknesses of the organization represent factors within the organization that either create or destroy value. When assessing the internal environment, managers evaluate the quantity and quality of human resources, HR practices, and the organizational culture. Leadership development and succession planning programs ensure that high-quality talent will be available to carry out the organization's strategy. **Succession planning** is the process of identifying a plan for the orderly replacement of key employees and is explained in greater detail in Chapter 9.
- B. External Environmental Analysis – Opportunities and threats emerge from the external environment and can impact the outcomes for the organization. The external environmental scan includes an assessment of economic conditions, legislative/political influences, demographic changes, and geographic and competitive issues, as shown in **Figure 2-5**.
1. Economic Conditions – The general business cycle of recessions and economic booms affects HR planning. Factors such as interest rates, inflation, and economic growth affect the availability of workers and should figure into organizational and HR plans and objectives. At lower unemployment rates, many job seekers are often less employable due to their inadequate job skills and education. However, as unemployment rates increase, the number of qualified people looking for work increases, making it easier to fill jobs.
  2. Legislative/Political Influences – An expanding and often bewildering collection of government regulations affects the labor market and organization practices. Legislation regarding taxes, labor unions, compensation, benefits, employment, and safety and health affect the HR practices in all organizations.
  3. Demographic Changes – Significant demographic changes are occurring that will impact the composition of the future workforce. Among the factors influencing workforce diversity are age, gender, generational differences, race, and ethnicity. NASA faces a serious workforce issue and the HR Best Practices describes their strategy for dealing with it.

**HR Best Practices: NASA Launches Workforce Realignment**

In 2010 the space shuttle program will be discontinued and thousands of NASA engineers and scientists will be affected. The Constellation program, which will succeed the space shuttle program, will not launch for five years. If the skilled shuttle staffers decide to retire rather than wait for the replacement program, NASA will face a serious knowledge gap. Also, a government panel is studying manned spaceflight programs to determine if the shuttle should truly be taken out of service. All of the uncertainty creates a major challenge of keeping employees engaged and committed. HR staff is working with managers to map skills for the next program and comparing them to the skills of the current workers. They have found that systems engineering and project management skills are lacking and they are developing training to fill the skill shortage. In addition to the tangible transition issues, there are intangible issues such as dealing with fear of the unknown, breaking up teams, and grief for the end of a program that many employees have worked on their entire career.

**Questions for Discussion:**

1. Why do you think project management skills are lacking in current workers at NASA?
2. As a HR manager, how would you deal with the intangible issues that are mentioned?
3. How could you measure employee morale and optimism over the next five years to make sure that current levels are being maintained?

**LOGGING ON: Society for Human Resource Management** – provides some of the most essential and comprehensive resources available for HR professionals – [www.shrm.org](http://www.shrm.org)

4. Geographic and Competitive Concerns – the local industrial base and economic conditions affect the strategic planning process. Where an organization locates its operations plays a role in how well it will perform. Competitors exist in both the product and labor markets. Competition in the product market determines the potential for the organization. Competition in the labor market establishes the pricing for high-quality talent and determines the availability of workers.

#### **IV. GLOBAL COMPETITIVENESS AND STRATEGIC HR**

The globalization of business has meant that more organizations now operate across borders with ties to foreign operations, international suppliers, vendors, employees, and other business partners. A global presence can range from importing and exporting to operating as a **multi-national corporation (MNC)**. An MNC, sometimes called a “transnational corporation,” is a corporation that has facilities and other assets in at least one country other than its home country.

- A. Global Framework – Companies operating globally must deliver basic HR services while also overcoming various operational, cultural, and organizational obstacles. In addition, workers from numerous countries may seek employment in the U.S., and managers and HR professionals must be prepared to deal with the needs of this labor force. Having a global HR mind-set means

looking at HR issues from an international perspective using ideas and resources, throughout the world, and ensuring openness to other cultures and ideas. An ideal international approach strikes a balance between home-country and host-country policies that utilizes the best practices within the organization.

- B. Global Legal and Regulatory Factors – Knowing about and complying with laws on many HR-related issues is crucial. Therefore, senior executives and HR professionals must review each country's legal and regulatory factors, both before and during ongoing operations. Also, they must be trained in how to deal with the nuances of the requirements in each country.
- C. Offshoring – **Offshoring** is the relocation by a company of a business process or operation from one country to another. Predictions are that offshoring will increase in the future, and few firms have plans to return offshored jobs to the home country. To maximize the success of offshoring, organizations' should utilize the following approaches:
- Design work processes to allow workers to hand off the project from one to the next.
  - Open the channels of communication by investing in technologies to support real-time interaction.
  - Build common ground by sharing knowledge across locations.
- D. Global Staffing – The optimal solution is to combine the expertise of local employees with the organization-specific knowledge of employees from the home country (headquarters). **Figure 2-6** shows four strategic approaches to international staffing. An expatriate is an employee living and working in a different country from where he or she is a citizen. The return of an expatriate (called repatriation) must be well planned and executed for the organization to gain the benefits of the overseas assignment. Leadership development is especially important for MNCs. Leading across cultures requires specific skills, and organizations should provide formal training along with expatriate assignments to develop leaders who can achieve results in this demanding environment.

## V. HR PLANNING IN MERGERS AND ACQUISITIONS

The majority of M&As fail to deliver on the expected financial, marketing, or product gains, with only about one-third of companies reporting that they achieved their goals. A significant number of failed ventures can trace their roots to HR issues that were not properly addressed. **Figure 2-7** shows the HR activities and focus during each stage of the merger process.

- A. Before the Deal – To determine whether or not the two organizations should combine, a rigorous process of due diligence is conducted. **Due diligence** is a comprehensive assessment of all aspects of the business being acquired. Organizations need to assess risks and identify possible conflicts.
- B. During Integration – After the deal has been closed, the focus of HR activity switches to the orderly transition of basic HR processes such as payroll and benefits migration. Early in the transition, managers focus on identifying key talent and establishing initiatives to retain these

critical employees. As the businesses are merged, culture conflicts will emerge. Four important factors in changing culture are:

- *Define the desired behaviors.*
- *Deploy role models.*
- *Provide meaningful incentives.*
- *Provide clear and consistent messages.*

- C. Post Integration – After the merger or acquisition it is important to optimize the workforce and identify and establish the new culture. Breaking down the barriers between the previous practices at each organization and implementing the best from both organizations will give employees a sense of value and importance. The HR Perspective details the strategies that Dow uses to ensure that acquisitions deliver as promised.

#### **HR Perspective: Dow's Formula for Successful Acquisitions**

Because Dow's acquisition activities are central to its organizational growth strategy, top leaders formulated an approach to ensure success. The implementation of the M&A Technology Center provided a systematic approach to handle the complicated process of acquiring and integrating new companies into the Dow corporate structure. The Center is staffed with a full-time group of experts in the M&A process. Dow leaders took the idea one step further and instituted the HR Center for M&A to address the unique HR tasks associated with integrating acquired companies. The HR Center is involved from the very beginning of each potential acquisition through final integration.

#### **Questions for Discussion:**

1. What do you think would be an advantage or disadvantage for working for a company that is involved in a lot of mergers and acquisitions?
2. Do you think Dow will also need to set up special Centers for other business functions such as Finance, Marketing, etc.? Why or why not?
3. Would you be interested in working for an M&A Center? Why or why not?

## **VI. STRATEGIC CHALLENGES**

Because the objective of strategic planning is to anticipate future events and conditions, managers should evaluate and revise the plan on a periodic basis. Attracting and retaining the right talent is an ongoing challenge as the needs of the business change over time. Organizations need to plan for both the quantity and quality of the workforce over the planning horizon. Because of the rapidly changing conditions, the organization may face a surplus in some parts of the business while facing a shortage in others. **Figure 2-8** shows the tactics organizations might use to deal with talent supply imbalances.

- A. Managing a Talent Surplus – A surplus of workers can be managed in a variety of ways. Managers may use various strategies in a progressive fashion to defer workforce reductions until absolutely necessary.



1. Reduction in Work Hours or Compensation – Selected groups of employees may have their workweek reduced or all employees can be asked to take a day or week off without pay. Sometimes companies use across-the-board pay cuts to reduce labor costs while retaining skilled employees. Organizations may also reduce employee benefits. HR should closely monitor the situation and reinstate pay and benefits levels when the economic outlook improves to maintain employee loyalty and a sense of fairness.
2. Attrition and Hiring Freezes – Attrition occurs when individuals who quit, die, or retire are not replaced. Unless turnover is high, however, attrition will eliminate only a small number of employees in the short run. Employers may use a method that combines attrition with a freeze on hiring.
3. Voluntary Separation Programs – are ways that organizations downsize by encouraging employees to volunteer to leave by offering additional severance and benefit payments. One widely used volunteer program is the use of early retirement buyouts to encourage senior workers to leave organizations early. As an incentive, employers make additional payments to employees so that they will not be penalized too much economically until their pensions and Social Security benefits take effect. One negative result for employers is having the “wrong” employees accept the plan. Care must be exercised to make sure that the early retirements are truly voluntary to avoid age discrimination suits.
4. Workforce Downsizing - This has been called downsizing, rightsizing, reduction in force (RIF), and many other terms, but it usually means cutting employees. Downsizing has worked for some firm, but it doesn’t generate additional revenue. It only generates lower costs in the short term. If companies cannibalize human resources they need to grow and innovate, disruption follows for some time. Also, downsizing can hurt productivity by leaving “surviving” employees overburdened and demoralized. Best practices for companies carrying out layoffs include:
  - Identify the work that is core to sustaining a profitable business.
  - Identify the knowledge, skills, and competencies needed to execute the business strategy.
  - Protect the bottom line and the corporate brand.
  - Constantly communicate with employees.
  - Pay attention to the survivors.

Severance benefits and outplacement services may be offered by companies to cushion the shock of layoffs and protect the company from litigation. **Severance benefits** are temporary payments made to laid-off employees to ease the financial burden of unemployment. Outplacement services are provided to give displaced employees support and assistance. Outplacement typically includes career counseling, resume preparation, interviewing workshops, and referral assistance. Such services are generally provided by outside firms.

- B. Legal Considerations for Workforce Reductions – Selection criteria for determining which employees will be laid off must comply with Title VII of the Civil Rights Act as well as the Age Discrimination in Employment Act and the Americans with Disabilities Act. Also, under

COBRA, displaced workers can retain their group medical coverage for up to 18 months for themselves and for up to 36 months for their dependents, if they pay the premiums themselves. Employers must also comply with the Older Workers Benefits Protection Act (OWBPA) when implementing RIFs. The OWBPA requires employers to disclose the ages of both terminated and retained employees in layoff situations, and a waiver of rights to sue for age discrimination must meet certain requirements. To provide employees sufficient notice, the Worker Adjustment and Retraining Notification (WARN) Act was passed. This federal law requires a 60-day notice before a layoff or facility closing involving more than 50 employees. However, part-time employees working fewer than 20 hours per week do not count toward the 50 employees. Also, seasonal employees do not have to receive WARN notification. The WARN Act also imposes stiff fines on employers who do not give the required notice.

- C. Managing a Talent Shortage – seems simple enough – simply hire more. However there are consequences of adding full-time benefited employees in cost and flexibility. There are other options: overtime, contingent workers, implement alternate work arrangements, bring back recent retirees, outsource work, and reduce turnover. **Alternate work arrangements** are nontraditional schedules that provide flexibility to employees and include job sharing and telecommuting. **Outsourcing** involves transferring the management and/or routine performance of a business function to an external service provides. A common HR function that is outsourced is payroll.

**LOGGING ON: U.S. Department of Labor, Bureau of Labor Statistics** – contains data on workforce composition and trends – [www.stats.bls.gov](http://www.stats.bls.gov).

## VII. TECHNOLOGY CHALLENGES

Technological advances have a major impact on organizations. The improvements created by technology often mean that people and organizations must change in order to fully benefit from these advances.

- A. Effects on Work and Organizations – Jobs have undergone major changes as a result of technology advances. The skills needed in this work setting are very different from those of the past; communication, collaboration, technical ability, and adaptability are necessary for success in the future. Technology is also enabling organizations to improve work flow and process. Business process reengineering (BPR) is a fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in cost, quality, speed, and service. Scheduling work, tracking time and attendance, and monitoring employee productivity are all easier with the aid of technology.
- B. Effects on Communication – Technology has increased employee expectations regarding the speed and frequency of communication from managers. Company intranet portals can be a prime source of information for employees. The HR Perspective discusses how Verizon Wireless uses its HR portal to enhance employee communication. Facebook, LinkedIn, and other social networking sites allow employees to remain in constant contact with people inside and outside of the organization. Instant messages and cell-phone texting allow for real-time

communication. Organizations must continually monitor and adapt to these new communication technologies to connect with customers and employees.

#### **HR Perspective: Verizon Engages Employees via Web Portal**

Verizon Wireless, widely known for its engaged workforce, has embraced the HR portal as a main vehicle for communicating with its employees. The company developed an online HR portal called “About You.” Accessible through the intranet, About You allows employees to make crucial connections between their daily work performance and their Total Rewards package. The HR portal is tied to Verizon’s HRIS which delivers personalized employee information on demand.

#### **Questions for Discussion:**

1. As an employee, what do you think would be the main advantage of having an HR portal as the main vehicle for communicating with HR?
2. Can you think of any disadvantages or problems that might result when employees use the HR portal to communicate with HR?
3. How would you make sure that the employee information on the HRIS is current?

- C. Effects on Work Processes – Monitoring employee actions and performance are much easier and less expensive due to technological advances. The majority of organizations have e-mail use policies in place and monitor employee e-mail use. In general, the courts have supported employer monitoring, and there are few legal restrictions on employer action. **Figure 2-9** shows some of the important factors involved in proper monitoring of employee e-mail.
- D. Effects on HR Activities – **Electronic human resource management systems (e-HRM)** is the planning, implementation, and application of information technology to perform HR activities. Sometimes called virtual HRM or business-to-employee (B2E) systems, using technology to support HR activities increases the efficiency of the administrative HR function and reduces costs.

**LOGGING ON: Social Media Governance** – is an online database of social media policies from companies, governments, and nonprofit entities –

[www.socialmediagovernance.com/policies/php](http://www.socialmediagovernance.com/policies/php)

## **VIII. MEASURING EFFECTIVENESS USING HR METRICS**

The notion that one cannot really measure what the HR function does is not true. The main “customers” for HR services are other departments, managers, and employees. If HR cannot effectively and efficiently deliver its services to these customers, HR loses its credibility. HR professionals must measure and report the results of HR activities to the organization.

- A. HR Metrics – **HR metrics** are specific measures tied to HR performance indicators. A metric can be developed to measure what happens in HR based on costs, quantity, quality, timeliness, and other designated data. **Figure 2-10** provides examples of strategic and operational HR

metrics. Much of what typically has been measured by HR has focused on internal HR expenditures and effectiveness. However, a broader strategic perspective is also needed. The following characteristics should be considered when developing HR metrics:

- Accurate data can be collected.
- Measures are linked to strategic and operational objectives.
- Calculations can be clearly understood.
- Measures provide information valued by executives.
- Results can be compared both externally and internally.
- Measurement data drive HR management efforts.

- B. HR and Benchmarking – One approach to assessing HR effectiveness is **benchmarking**, which is the process of comparing the business processes and outcomes to an industry standard or best practice. About half of HR professionals report that their organizations collect benchmark data on a planned, periodic basis while the rest collect it as needed. Major obstacles to collecting benchmarks are uncertainty about how to collect the information and what information to collect.
- C. HR and the Balanced Scorecard –The **balanced scorecard** is a framework used to report a diverse set of performance measures. As shown in Figure 2-11, the balanced scorecard measures performance in four areas: *financial measures*, *internal business processes*, *customer relations*, and *learning and growth activities*. Organizational measures in each of these areas are calculated to determine if the organization is progressing toward its strategic objectives. More than 60% of organizations claim to use a balanced scorecard approach.
- D. Human Capital Effectiveness Measures – For HR to fulfill its strategic role, HR must quantify things that traditional accounting does not account for. Human capital refers to the collective value of the intellectual capital (competencies, knowledge, and skills) of the employees in the organization. Revenue per employee is a basic measure of human capital effectiveness. The formula is Revenue/Head Count (full-time employee equivalents). It is a measure of employee productivity and shows the sales revenue generated by each full-time employee.

A widely used financial measure that can be applied to the cost of HR activities is **return on investment (ROI)**, which is a calculation showing the value of expenditures for HR activities. It can also be used to show how long it will take for the activities to pay for themselves. ROI is stressed because it is used in most other functions in an organization and is the “language” used by financial staff and top management.

Another measure used is **human capital value added (HCVA)** which is an adjusted operating profitability figure calculated by subtracting all operating expenses *except* for labor expenses from revenue and dividing by the total full-time head count. It shows the operating profit per full-time employee. **Human capital return on investment (HCROI)** directly shows the amount of profit derived from investments in human capital, the leverage on labor cost. The formula for HCROI uses the same adjusted operating profitability figure as for HCVA, but it is divided by the human capital cost. **Human economic value added (HEVA)** shows the wealth created per employee. It shows how much more valuable the organization has become due to the

investment in human capital. The formula for HEVA is: (Net Profit after Taxes – Cost of Capital) divided by Full-Time Head Count.

- E. HR Audit - One general means for assessing HR effectiveness is through an HR audit, similar to a financial audit. An **HR audit** is a formal research effort that evaluates the current state of HR management in an organization. These audits attempt to evaluate how well HR activities in each of the HR areas (staffing, compensation, health and safety, etc.) have been performed, so that management can identify areas for improvement.

## CRITICAL THINKING ACTIVITIES

### **1. Discuss how technology has changed jobs in an organization where you have worked. What are some HR responses to those changes?**

Students responses will vary based on their individual experiences. Most jobs have certainly been changed by the increased use of the computer. HR responses to technology changes could include providing training, making sure that selection criteria include technology needs, and also developing reasonable policies to deal with any technology issues.

### **2. What steps can HR professionals take to ensure that mergers and acquisitions are successful? How can HR help during the integration process?**

Students can refer to Figure 2-7 that lists the HR activities during mergers and acquisitions to help identify what steps HR professionals can take to ensure that M&As are successful. After the deal has been closed, the focus of HR activity switches to the orderly transition of basic HR processes such as payroll and benefits migration. Early in the transition, HR focuses on identifying key talent and establishing initiatives to retain these critical employees.

### **3. How can an organization maintain its image while dealing with a talent surplus? If layoffs are necessary, what would you recommend managers do to ensure that survivors remain committed and productive?**

Best practices for companies carrying out layoffs include:

- Identify the work that is core to sustaining a profitable business.
- Identify the knowledge, skills, and competencies needed to execute the business strategy.
- Protect the bottom line and the corporate brand.
- Constantly communicate with employees.
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Also, it is recommended that companies try to use reduction in hours or compensation, attrition or hiring freezes, and voluntary separations before layoffs. Providing severance benefits and outplacement services can also help an organization to maintain its image while dealing with a talent surplus.

**4. As the HR manager for a multinational corporation, you want to identify HR competencies that are critical for global companies. Visit the website for the World Federation of People Management Association ([www.wfpma.com](http://www.wfpma.com)) to research the topic and to identify differences in the body of knowledge in different parts of the world.**

At this website students can get information about the competency project that was done by this organization. The following is from the Executive Summary of the project report: “The aim of this World Federation of Personnel Management Associations’ project was to develop a worldwide definition of what an HR professional is and does in terms of a ‘global set of core competencies’. The approach taken was to consider the range of practices in different countries’ professional standards and certification programmes by means of a literature review and worldwide surveys.”...”The development of an HR competency model is advocated, and a summary is provided of the common core competencies. Variations in these core competencies are discussed against national, organisational and time contexts. Competency is also identified as one of the key enabling factors for an organisation to create its own sustainable competitive advantage in the marketplace.”...”The HR body of knowledge, and the way this is being taught and assessed around the world, is the focus for the detailed analysis of the documentation provided by associations in addition to completing the survey. The body of knowledge is presented as a Global Framework of Skills and Knowledge. This is broken down into a detailed description of what practitioners are expected to know and to be able to do in order to operate at a support, professional or strategic level in the management and development of people.”

## **HR EXPERIENTIAL PROBLEM SOLVING**

**1. What is the process to use for identifying the components of the HR strategic planning process?**

Most students will probably refer to the Strategic Planning Process shown in Figure 2-1: organizational mission, SWOT analysis, establish goals/objectives, formulate organization strategy, formulate supporting functional strategies, implement, and evaluate and reassess. This process can be used to look at the HR function in the organization and how it is tied to the organizational mission and what are the strengths, weaknesses, opportunities, and threats. Also, Figure 2-3 shows the Strategic HRM process that ties HR to the Organization’s mission statement.

**2. What other company strategic objectives must the HR strategic plan integrate and support?**

Organizational productivity, customer service and quality, and financial contributions are three strategies that are identified in the text. However, there might be other ones related to globalization, mergers/acquisitions, technology changes, etc.

## **CASE: PIONEERS IN HR ANALYTICS**

**1. What are some reasons that more organizations do not implement HR analytics? How would you make the case for adopting HR analytics?**

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**2. How can HR professionals develop the needed skills to analyze and interpret metrics? What resources could an HR professional consult to begin building expertise in this area?**

There are HR metrics classes through professional associations such as SHRM and there are many articles, books, and software that the HR staff could use to educate themselves. Also, the HR staff could work through their local SHRM professional association to find other companies that are using HR metrics.

## **SUPPLEMENTAL CASES**

**Where Do You Find the Bodies?** - This case identifies problems associated with HR planning and recruiting in a tight labor market. (For the case, go to [www.cengage.com/management/mathis](http://www.cengage.com/management/mathis)).

### **Questions**

1. How does this case illustrate the lack of HR planning?
2. What approaches could be used to recruit mechanics?

### **Comments**

The situation described in Boomtown is very typical in several parts of the western United States. Unfortunately there are no easy solutions that Milt can adopt. He might try recruiting mechanics from economically depressed areas elsewhere and Milt might design an incentive system for use with shop personnel. Another alternative is to start renting space in the center for individuals to work on their own vehicles. Also, Milt and his boss must convince headquarters that there must be greater flexibility available to the managers in Boomtown. In summary, the case emphasizes the need for planning, flexibility, and creativity in dealing with personnel problems, and the fact that organizations are truly affected by environmental forces.

**Xerox** - This case highlights the challenges of employee retention during stressful and unpredictable times when Xerox was undergoing a significant shift in its strategic focus. (For the case, go to [www.cengage.com/management/mathis](http://www.cengage.com/management/mathis)).

**1. Discuss the challenges faced by HR management when significant staff cutbacks occur and how they should be addressed.**

When companies cannibalize the human resources needed to grow and innovate, disruption follows for some time. Downsizing can hurt productivity by leaving "surviving" employees overburdened and demoralized. Survivors need information about why the actions had to be taken and what the future holds for them personally. The more employees are involved in the restructuring, the more likely the transition is to be smoother. HR professionals and managers, too, find downsizing stressful

and may react negatively to having to be the bearers of bad news. The most common methods used when downsizing must occur include attrition and hiring freezes, early retirement buyouts, and layoffs. Voluntary separation programs appeal to employers because they can reduce payroll costs significantly over time. Using such programs is also viewed as a more humane way to reduce staff than terminating long-service, loyal employees. One drawback is that some employees the company wishes would stay, as well as those it wishes would leave, can take advantage of a buyout. Employers must also comply with WARN and other laws. It is often recommended that employers should provide outplacement services to give displaced employees support and assistance.

**2. Use of technology, employee retention, and HR development have been at the core of HR becoming more strategic at Xerox. Why have those areas been so key?**

These areas have been key because they illustrate to employees that Xerox is committed to professional development and continuous learning for its employees. These efforts should also help Xerox employees perform at a higher level to continue its rebound. Focusing on employee retention and HR development helps Xerox reduce its turnover which is an expensive cost. Using the results of the employee surveys will also assure that Xerox is actually providing the types of programs that lead to employee retention. It is very important when downsizing has occurred that the organization emphasize keeping its high-potential employees and managers.



## SUPPLEMENTAL CASE SOLUTIONS

**Where Do You Find the Bodies?** - This case identifies problems associated with HR planning and recruiting in a tight labor market. (For the case, go to [www.cengage.com/management/mathis](http://www.cengage.com/management/mathis)).

### Questions

1. How does this case illustrate the lack of HR planning?
2. What approaches could be used to recruit mechanics?

### Comments

The situation described in Boomtown is very typical in several parts of the western United States. Unfortunately there are no easy solutions that Milt can adopt. He might try recruiting mechanics from economically depressed areas elsewhere and Milt might design an incentive system for use with shop personnel. Another alternative is to start renting space in the center for individuals to work on their own vehicles. Also, Milt and his boss must convince headquarters that there must be greater flexibility available to the managers in Boomtown. In summary, the case emphasizes the need for planning, flexibility, and creativity in dealing with personnel problems, and the fact that organizations are truly affected by environmental forces.

**Xerox** - This case highlights the challenges of employee retention during stressful and unpredictable times when Xerox was undergoing a significant shift in its strategic focus. (For the case, go to [www.cengage.com/management/mathis](http://www.cengage.com/management/mathis)).

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