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STRATEGIC IMPORTANCE OF HUMAN RESOURCE MANAGEMENT

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LEARNING OBJECTIVES

After studying this chapter, students should be able to:

1. Discuss the objectives of human resource management.
2. Identify the steps in the strategic management of human resources.
3. Explain how human resource departments are organized and how they function.
4. Discuss the role of human resource professionals in today's organizations.

TERMS FOR REVIEW

Automation

Chartered Professional in Human Resources
(CPHR)

Cultural mosaic

Demographic Changes

Economic forces

Educational attainment

Functional authority

Human resource audit

Human resource management

Knowledge workers

Line authority

Mission statement

Organization structure

Organizational culture

Organizational goals

Productivity

Sociocultural forces

Staff authority

Strategic human resource management

LECTURE NOTES

Canadian Human Resource Management includes a complete set of Microsoft PowerPoint® slides for each chapter. Please contact your McGraw-Hill Ryerson representative to find out how instructors can receive these files. These lecture notes are intended to accompany the PowerPoint® slides.

Slide 1-1	Chapter cover slide
Slide 1-2	Learning Objectives
Slide 1-3	Introduction—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, cultural, and environmental goals.
Slide 1-4	Although each topic within human resources is addressed individually, it is important to recognize that the activities within human resource management are all interconnected. Figure 1-1 highlights some of this interconnectedness. When a change is made to one activity or system, it often has an impact on another activity. For example, if an organization acts to engage long-term employees in order to prevent them from leaving, it may spend fewer dollars recruiting and hiring new employees. In order for human resource management systems, practices, and activities to be effective, leaders must consider how changes may affect the system overall.
Slide 1-5	STRATEGIC HUMAN RESOUCE MANAGEMENT • A strategy is similar to a game plan and is linked to the strategic needs of an organization • 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 priorities
Slide 1-6	A MODEL OF STRATEGIC HRM To be effective, a human resource management strategy and system should be formulated after careful consideration of an organization's environment, mission, vision and objectives, strategies, and internal strengths and weaknesses, including its culture.

	For purposes of discussion, we will break the human resource strategy formulation and implementation process into five major steps, as outlined in Figure 1-2. Alternative sources may provide different stages and descriptions. Regardless, the logic remains consistent: Know what you are aligning to, understand your external and internal environment, make decisions, and evaluate decisions.
Slide 1-7	Understanding the strategic HRM process STEP 1. ORGANIZATIONAL MISSION, VISION, GOALS, AND STRATEGY 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 strategies
Slide 1-8	STEP 2. ENVIRONMENTAL SCAN • Continuous monitoring of economic, legal, technological, demographic, and cultural forces and noting changes in governmental policies, legislation, and statements • These forces are covered over the next series of slides
Slide 1-9	The environmental scan includes the following economic forces: economic cycles, global trade, productivity and innovation improvement, and activity in the extractive, production, and service-based economic sectors.
Slide 1-10	<i>Economic Force: Economic cycles</i> • 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.
Slide 1-11	<i>Economic Force: Global trade</i> • 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
Slide 1-12	In 2022, Canada was the fifteenth most competitive nation in the world; although this ranking is higher than 7 of Canada's top 10 trading partners, it is below that of our largest trading partner, the US. (Figure 1-4).
Slide 1-13	<i>Economic Force: Productivity and Innovation Improvement</i> • 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 scarce 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 is now 15th of 16 peer countries in the Organization for Economic Co-operation and Development (OECD). • 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.
Slide 1-14	<i>Economic Force: Extractive, Production, and Service-based Sectors</i> • Figure 1-5 shows employment by industry in Canada in 2023 vs 2013 and 2003 • Employment in primary and extractive industries (such as mining and fishing) has remained relatively constant or decreased), whereas service, technical and professional jobs have increased • Service industries such as education, health care, tourism, trade, and public administration have increased • Knowledge workers form the basis of a knowledge-based economy grounded in the production, distribution, and use of knowledge and information • The ability of organizations to find, keep, and continually retrain knowledge workers will be increasingly important in the coming decade
Slide 1-15	The environmental scan includes technological forces: connectivity and work design, automation, and data and analytics
Slide 1-16	<i>Technological Force: Connectivity and work design</i> • Connectivity 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 (i.e., remote work) • Connectivity and technology have disrupted the way organizations operate. • 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 • Connectivity has also created a greater focus on cybersecurity. As remote work increases, the probability of data breaches is also climbing
Slide 1-17	<i>Technological Force: Automation</i> • 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/automation is not without its own HR challenges. For instance, an emergent field of additive manufacturing requires skilled designers, operators, and technicians.
Slide 1-18	<i>Technological Force: Data and analytics</i> • Due to AI/ML (artificial intelligence/machine learning) and rapidly increasing computing power, companies are facing a significant shift in the role that data and analytics play in the workplace • 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 • Intranets and integrated information systems help store and access information quickly and accurately • Information management systems capturing digital information about employees give rise to human resource data analytics (e.g., what employees learn in training, performance improvement metrics)
Slide 1-19	The environmental scan also includes demographic forces: gender balance, educational attainment of workers, aging population, generational shift Demographics 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.
Slide 1-20	<i>Demographic Force: Gender Balance</i> • While the figures that follow refer to gender, we must recognize the importance of differentiating biological gender (or sex at birth) from gender identity and gender expression. An inclusive understanding of demographic forces in sex at birth, gender identity, and gender expression will serve HR professionals in the creation of inclusive workplaces. • 47.5% of the workforce in 2023 are assigned female at birth • Participation rate of biologically female in health care and professional, scientific, and technical services continues to grow • More women than men work part-time
Slide 1-21	<i>Demographic Force: Educational attainment of workers</i> • Increases are expected to continue • In 2021, 57.5% of Canadians aged 25 to 64 were post-secondary graduates • Over 28% of Canadians aged 25 or above hold a university degree of better • In a somewhat interesting twist, there is growing sentiment that practical work experience is becoming more important than education • Educational attainment is not equal across all demographic groups (including Indigenous peoples and single mothers) • But 48% of Canadians aged 16 or over fall below adequate levels of literacy • 13% of women and 19% of men drop out of school before graduating high school

Slide 1-22	<i>Demographic Force: Aging Population</i> • Average age of the workforce is increasing (impending “old age crisis”), along with the general aging population in Canada • In 2023, the age group comprising those age 65 and over formed 19 percent of the population (versus 13% in 2003). By 2060, this proportion will increase to 25.7 percent. Conversely, the age category between 15 and 30 years old will decrease from 18.9 percent to 17.36 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, are challenges ahead for HR professionals
Slide 1-23	<i>Demographic Force: Generational Shift</i> • Although the differences within groups may be wider than the differences between groups, some managers find benefit through understanding that not all generations view the world through the same lens that they do • The Baby Boomers, Generation X, Generation Y (Millennials), Gen Z, and soon Generational Alpha are currently in the workforce (along with some Traditionalists) • Different people have different expectations from their workplaces generational diversity creates an interpersonal dynamic for all leaders
Slide 1-24	The environmental scan also includes cultural forces: inclusion and social justice, ethics
Slide 1-25	<i>Cultural Force: Inclusion and social justice</i> • 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 • Continued inequalities articulated by social justice advocates for Indigenous, Black, and other racialized people of colour attributed to systemic bias • Core practice of HR to support progress towards truth and reconciliation with Indigenous communities and recognize Indigenous knowledges in the workplace • Social justice has become central to diversity, equity, and inclusion initiatives in the workplace
Slide 1-26	<i>Cultural Force: Ethics</i> • 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.
Slide 1-27	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.

	• Structure 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.
Slide 1-28	STEP 4. CHOICE AND IMPLEMENTATION OF HUMAN RESOURCE STRATEGIES Strategic 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.
Slide 1-29	• In formulating strategies, the HR department must continuously focus on the following activities: ○ Identifying opportunities, risks, and challenges ○ Making data-informed decisions aligned to strategy ○ Optimizing for high performance ○ Note: Defined action plans with target achievement dates are required to ensure effective implementation of HR strategies
Slide 1-30	STEP 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 orientation
Slide 1-31, 1-32	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 recruits
Slide 1-33, 1-34	A 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"
Slide 1-35	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 employees
Slide 1-36	TODAY'S HUMAN RESOURCE MANAGEMENT PROFESSIONAL ○ In the last fifty years, there has been an enormous growth in the number of HR managers (1971: 4,055; 2018: more than 50,000) ○ HRM has been slow to evolve into a full-fledged profession ○ Human Resource managers expected to possess competencies strategy, engagement, labour and employee relations, learning and development, human resource metrics, reporting and financial management, professional practice, workforce planning and talent management, health, wellness, and safe workplaces, and total rewards ○ The nationally recognized designation in HR is called the CPHR (Chartered Professional in Human Resources) for all Canadians except in Ontario, where they have the Certified Human Resources Professional (CHRP) designation
Slide 1-37	STRATEGIC HRM SUMMARY After mastering this chapter content, you should be able to: 1. Discuss the objectives of human resource management. 2. Identify steps in the strategic management of human resources. 3. Explain how human resource departments are organized and how they function. 4. Discuss the role of human resource professionals in today's organization.

RESPONSES TO REVIEW AND DISCUSSION QUESTIONS

- 1) What are the goals of strategic human resource management? 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 how human resources may be set up in a firm that employs over 5,000 people and a diagram for the set-up of human resources in a small firm with 50 people. What similarities exist and what are the major differences found in the approach to human resources between the two organizations?**

See Figure 1-11 in the text. In a small firm, the middle-level managers are likely to be eliminated.

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

Examples can be taken from Figure 1-3

- 4) Describe how strategic human resource management supports the application of different domains of human resources and the decisions that human resource professionals need to make.**

Strategic human resource management (SHRM) supports the application of various domains of human resources, such as staffing, performance management, training, compensation, labour relations, and HR planning. For instance, effective staffing strategies are crucial in recruiting and selecting the right talent for the organization. SHRM helps in identifying the skills and qualifications needed for specific roles and positions. In performance management, SHRM assists in setting clear goals and objectives for employees, evaluating their performance, and providing feedback and training to improve their skills. Training and development programs are essential in enhancing employees' knowledge and skills, leading to better job performance and increased productivity. Compensation and benefits are critical in attracting and retaining top talent. SHRM ensures that compensation packages are competitive, fair, and aligned with the organization's objectives and budget. Strategic human resource management (SHRM) also takes into account the role of unions and collective bargaining agreements, ensuring that the organization's HR practices are compliant and productive. Moreover, SHRM plays a vital role in planning for the organization's future HR needs, including workforce forecasting, succession planning, and talent pipeline development, helping the organization to stay competitive and adapt to changing business environments.

- 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).

RESPONSES TO CRITICAL THINKING QUESTIONS

- 1) Suppose your employer is planning a chain of high-quality restaurants to sell food products that the company already produces. Outline considerations that may be made by a strategic human resource professional prior to a roll-out of the planned restaurants.**

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 for 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) If the birth rate during the early 2020s were to double from the low rates of earlier decades, what would be the implications in the years 2040 and 2050 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).

SHORT CASE: HUMAN RESOURCE DECISION MAKING AT CANADA IMPORTERS LTD.

This incident illustrates 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.

1) If you were Rob Whittier, how would you look to resolve this dispute?

Because managers are responsible for their performance, there is risk associated with 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. This argument supports the line manager's need for decision-making authority.

One potential solution is to determine what consistent parameters are required within hiring and compensation decisions that need to be universally applied across all divisions / units. Further guidance could be provided to line managers about the importance of these parameters to ensure internal and external equity. Enabling line managers to make decisions within these parameters could empower the line manager while simultaneously allowing for consistency in overall practice.

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.

2) What risks can you identify from a human resource perspective in Henri DeLahn's arguments?

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.

3) In retrospect, how might you have avoided the debate with Henri DeLahn by introducing human resource strategies during the growth phase of Canada Importers Ltd.?

During the orientation of line managers, consideration could be given to socializing managers of the challenges, opportunities, and risks associated with making decisions that are inconsistent with others in the organization as noted in the response to question 1. Similarly, the manager could be oriented to the fundamental requirements of the hiring and compensation environments for the organization overall to understand the context in which they may be able to make decisions. Finally, human resource leaders may seek to understand the support structures that are needed by line managers to provide them with the flexibility and line authority to make responsive and appropriate staffing decisions and seek to put in place both the systems and the support personnel to enable those decisions in a consistent manner across the organization.

CASE STUDY: DIGITECH

Discussion Questions and Expected Responses:

1) What do you believe has led to the emergency meeting between Stephanie and Gail from (1) an organizational perspective and (2) a strategic HR perspective?

- a. From an organizational perspective, a lack of project planning may be at the route of the emergency meeting. Namely, the barriers that are identified by Stephanie could have (and perhaps should have) been identified as potential barriers prior to initiating the project. If proper project planning had taken place, a number of the challenges that DigiTech is experiencing could have been avoided, or at worst, planned for and mitigated.
- b. From a strategic HR perspective, the absence of strategic human resource planning is at route of the emergency meeting between Stephanie and Gail. It is apparent that Gail had not been asked, or alternatively had not provided, insight into the potential knowledge and skill gaps that would emerge in this significant technology shift for Digitech. With a strategic and proactive approach to HR, challenges such as that described in the case may be anticipated and addressed before they become an emergency through an environmental scan and an analysis of organizational culture.

2) What internal and external forces were influencing DigiTech?

- a. Internal forces at play include employee readiness, employee knowledge, skills, and abilities, as well as productivity and innovation. With respect to employee readiness, it appears that the employees were not appropriately prepared for the project. Making things more difficult, it would appear that the current employees do not have the knowledge, skills, and/or abilities to undertake the change that is required at DigiTech. Finally, productivity and innovation will be an internal influence as it appears the employees were used to doing things certain ways and the change and innovation required to make a larger productivity platform is greater than the employees were ready for.
- b. External forces include technological, demographic and economic. For instance, the technological change from on-premise computing to cloud based computing led DigiTech to consider an alternative platform. Demographic influences were likely at play as well, given the change in consumer demands for higher quality games from DigiTech. Lastly, economic pressures were at play in that if DigiTech does not make the shift, they may have difficulty competing in the marketplace.

3) In hindsight, what should Gail have done before this eventful Monday morning?

- a. In hindsight, Gail should have analyzed the element of Digitech's strategic plan to shift its computing to a cloud based environment so that she may identify the potential internal and external human resource forces that would create potential challenges and opportunities throughout the project. Based on that analysis, Gail could have set out a parallel human resources plan that would support the successful implementation of Stephanie's technology transformation.

4) What should Gail do now?

- a. Gail should take stock of the current situation by analyzing what external and internal forces are at play in the current situation. This analysis should then be coupled with an assessment of the gaps in knowledge, skill, abilities of current staff to successfully implement the projects as it is set out. Finally, Gail should identify a short and intermediate term plan to address the identified gaps and forces in a priority sequence.