

Chapter 1: Strategies, Trends, and Opportunities for HRM

Lecture Outline

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LEARNING OBJECTIVES

- LO1: Define human resource management and explain how HRM contributes to organizational performance.
- LO2: Describe how human resource management supports and shapes organizational strategy.
- LO3: Summarize competencies, careers, and ethics in human resource management.
- LO4: Describe trends in the labour force composition and how they affect human resource management.
- LO5: Discuss how technological developments are impacting human resource management.

INTRODUCTION: Human Resources Take Centre Stage

- According to David Windley, President of IQTalent Partners, a segment of Canada's Caldwell Partners, this is an unsurpassed time to be working in human resources management.
- Technology is changing the way work gets done by automating many tasks carried out by humans.
- Organizations need people for their creativity and judgement.
- HR placed in a key role of providing talent, keeping talent, and bring out the best in talent.

HRM PRACTICES

Human resource management (HRM) centres on the policies, practices, and systems that influence employees' behaviour, attitudes, and performance.

Reference Figure 1.1

Important HR (people) practices include:

- Analysis and design of work
- **Workforce planning** (determining how many employees with specific knowledge and skills are needed)
- **Recruiting** (attracting candidates) and **Selection** (choosing employees)
- Training, learning, and development (preparing employees how to perform their jobs and for the future)
- **Performance management** (supporting performance)
- **Total rewards** (rewarding employees)
- Employee and labour relations (creating a positive work environment)

WHY ARE PEOPLE SO VALUABLE?

Managers and economists traditionally have seen HRM as a necessary expense, rather than a source of value to their organizations

- **Human capital**—an organization's employees, described in terms of their training, experience, judgment, intelligence, relationships, and insight
- **Organizations need resources that provide competitive advantage and human resources have these qualities:** Valuable, rare, cannot be imitated, and have no good substitutes
- **Employee engagement** refers to the degree to which employees are fully involved in their work and the strength of their commitment to their job and the organization.

IMPACT OF HRM

HRM contributes to measures of an organization's success such as quality, profitability, and customer experience. **Reference Figure 1.2**

Organizations need the kind of resources that will give them such an advantage. Human resources have these necessary qualities:

- Human resources are *valuable*.
- Human resources are *rare* in the sense that a person with high levels of the needed skills and knowledge is not common.
- Human resources *cannot be imitated*.
- Human resources have *no good substitutes*.

THE IMPACT OF EMPLOYEE EXPERIENCE

- Perceptions that employees have about their experiences at work in response to their interactions with the organization
- Providing a positive employee experience is critical for keeping employees engaged and committed to the organization
- Encompasses all the elements that influence an employee's perception of the work environment and becomes an important focus for the employee's entire journey—from first contact with a potential employer to retirement (and even beyond)

WHAT ARE THE RESPONSIBILITIES OF HR DEPARTMENTS?

HR as a business within the organization with 3 product lines:

1. Strategic partner

- Contributing to the company's strategy
- HR professionals must understand the business, industry, and competencies

2. Business partner services

- Developing effective HR systems to meet organizational goals

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- HR people must understand the business to understand what the business needs

3. Administrative services and transactions

- Handling administrative tasks e.g., processing tuition reimbursement applications and employee queries
- Requires efficiency and commitment to quality
- Requires expertise in the particular tasks

RESPONSIBILITIES OF HUMAN RESOURCES DEPARTMENTS

Reference Table 1.1

1. Analysis and Design of Work

- **Job analysis** involves the process of getting detailed information about jobs
- **Job design** is the process of defining the way work will be performed and the tasks that a given job requires

2. Workforce Planning

- Labour demand and supply
- Identifying the number and types of employees the organization needs

3. Recruitment and Selection

- **Recruitment** is the process through which the organization seeks applicants for potential employment
- **Selection** is the process by which the organization attempts to identify applicants with the necessary knowledge, skills, abilities, and other characteristics that will help the organization achieve its goals

4. Training, Learning, and Development

- **Training** is a planned effort to enable employees to learn job-related knowledge, skills, and behaviour
- **Development** involves acquiring knowledge, skills, and behaviours that improve employees' ability to meet the challenges of new or existing jobs

5. Performance Management

- **Performance management** is the process of ensuring that employees' activities and outputs match the organization's goals

6. Total Rewards

- Planning pay and benefits involves many decisions including understanding legal requirements; administering pay and benefits requires systems and extensive record-keeping and reporting; and ensuring compliance with laws

7. Maintaining Positive Employee and Labour Relations

- Provide for satisfying and engaging work environments and maintaining positive relations with employees and positive labour relations

8. Establishing and Administering Human Resource Policies

- HR helps establish policies to provide for fair and consistent decisions

9. Managing and Using Human Resource Data

- **People (human capital) analytics**—use of quantitative tools and scientific methods to analyze data from human resource databases and other sources to make evidence-based decisions that support business goals

10. Ensuring Compliance with Federal/Provincial/Territorial Legislation

WHAT ARE THE RESPONSIBILITIES OF SUPERVISORS AND MANAGERS?

Reference Figure 1.3

Many organizations have HR departments with specialists that develop effective HR practices, however *implementing* these practices resides with the organization's supervisors and managers

- Help define jobs e.g., what kind of work needs to be done
- Forecast HR needs
- Interview and select candidates
- Train, coach, and develop employees—some or all parts of the job
- Set goals, provide performance feedback, and appraise performance
- Recommend pay increases and promotions
- Communicate policies and comply with legal requirements
- Provide motivational environment

FOCUS ON HR STRATEGY

The strategic role for HRM has evolved gradually

Environmental, Social, and Corporate Governance (ESG)

Refer to Table 1.3

- **Sustainability**—an organization's ability to profit without depleting its resources, including employees, natural resources, and the support of the surrounding community
- **Stakeholders**—the parties with an interest in the company's success (typically, shareholders, the community, customers, and employees)

- ESG refers to a “collection of corporate performance evaluation criteria that assesses the robustness of a company’s governance mechanisms and its ability to effectively manage its environmental and social impacts.”
- HR professionals can support organizations to enhance ESG performance through policies, practices, and systems

1. Evidence-based HRM

- Demonstrating that human resource practices have a positive influence on the company’s profits or key stakeholders
- Relies on the use of HRM analytics to analyze data

2. Organization Agility and Change Management

- Refers to the ability of a firm to sense and respond to the environment by intentionally changing

3. Productivity improvement

- Companies need to enhance productivity to compete in a global economy
- Productivity—the relationship between an organization’s outputs (products, information or services) and its inputs (e.g., people, facilities, equipment, data, and materials)

4. Mergers and acquisitions

- HRM should have a significant role

5. Non-traditional employment and the gig economy

- **Non-traditional employment**—use of independent contractors, freelancers, on-call workers, temporary workers, and contract workers
- Companies that rely primarily on non-traditional employment to meet service and product demands are competing in the *gig economy*

6. Outsourcing

- Outsourcing is the practice of having another company (a vendor third-party provider, or consultant) provide services

7. Expanding into global markets

- Global expansion can present challenges for HRM – learning about the cultural differences that shape the expectations and behaviours of employees in other parts of the world
- **Offshoring**—moving operations from the country where a company is headquartered to a country where pay rates are lower, but the necessary skills are available
- **Expatriates** are employees who take assignments in other countries
- Reference Figure 1.4 – Immigration addresses labour shortage

8. High performance work systems

- An organization in which technology, organizational structure, people, and processes all work seamlessly to provide competitive advantage

- High-performance work systems have the best possible fit between their social system (employees and how they interact) and technical system (equipment and processes)
- Maintaining a high-performance work system may include development of training programs, recruitment of people with new skill sets, and establishment of rewards for behaviours such as teamwork, flexibility, and learning

HR FUNCTIONAL COMPETENCIES

- With such varied responsibilities, human resources professionals need to bring together a large pool of competencies. The Human Resources Professionals Association's (HRPA) *Professional Competency Framework* consists of nine functional areas, groupings, and underlying competencies as shown in Figure 1.5
- CPHR (Chartered Professional in Human Resources) is the designation that recognizes achievement and capability for HR professionals in all provinces and territories, except Ontario
 - National Knowledge Exam (NKE) tests HR knowledge, professional experience (3+ years), bachelor's degree, and membership in a professional HR Association is required
 - CPHR Canada represents members in 9 provinces and 3 territories

CAREERS IN HUMAN RESOURCE MANAGEMENT

- Some HRM positions are *specialists* e.g., recruiting, training, etc., however other positions are *generalists* who perform a full range of HRM functions
- **Reference Figure 1.7** for selected HRM positions and median salaries and bonuses. The salaries vary according to education and experience, as well as the type of industry in which the person works
- **HRPA (Ontario)** works independently and has a tiered certification framework that includes an entry level designation—CHRP (Certified Human Resources Professional); professional designation—CHRL (Certified Human Resources Leader) and executive designation—CHRE (Certified Human Resources Executive)
- **Reference Table 1.4** for designations by province and territory including their relevant HR Professional Association.
- Developments are underway across Canada to move the HR profession from an unregulated profession to a self-regulated profession

ETHICS IN HRM

- **Ethics** refers to the fundamental principles of right and wrong—ethical behaviour is consistent with those principles
- **CPHR Canada's Code of Ethics requires duties to:**
 - **Public:** Members have a duty to discharge all their Professional responsibilities honourably, competently, and with integrity
 - **Profession:** Members have a duty to protect and promote the profession and to cooperate with their Association

- **Clients & Employers:** Members have a duty to act in the best interest of their clients and employers
- **Individuals:** Members must always act in a manner that advances the principles of health and safety, human rights, equity, dignity, and overall well-being in the workplace

HOW IS THE LABOUR FORCE CHANGING?

- **Aging of the workforce** - Canada's labour force is aging quickly and there is a widening gap between the number of younger people entering the labour force and the number of people preparing to exit the labour market
- **Multi-generational workforce** - because employees are working longer, the workforce now has five generations, each one with unique characteristics as well as similarities
- **Diverse workforce** - Immigration is an important force in population and labour force growth and diversity
- **Shift to knowledge workers** - employees whose main contribution to the company is specialized knowledge such as knowledge of customers, a process, or a profession
- **Increasing levels of education** – educational attainment of Canada's labour force is increasing (more than 1 in 3 people have a university degree or higher)

TECHNOLOGICAL CHANGE IMPACTING HRM

1. Human Resources Information Systems (HRIS)

- Computer systems used to acquire, store, analyse, retrieve, and distribute information related to an organization's human resources i.e., supports decision making; provides data for evaluating programs

2. Analytics and AI in HRM

- Evidence-based HRM has been called a “game changer for the future of HR”
- Potential is great for HR analytics to help improve HR decisions
- **Artificial intelligence** - technology that simulates human thinking. It works through queries that allow it to learn from data over time to identify trends and patterns (predictive capacity); *Wearables* are also being used for applications including training and performance support

3. Sharing of Human Resource Information

- Use technology to help automate much of the work in managing employee records
- **Employee self-service** - giving employees access to information and enrolment for training, benefits, and other programs
- **Mobile devices**—increasingly being used to provide employees with anytime and anywhere access to HR processes and other work-related information
- **Management self-service** – giving managers the ability to go online to authorize pay increases, approve expenses, and transfer employees to new positions

Summary

- Define human resource management and explain how HRM contributes to organizational performance
- Describe how human resource management supports and shapes organizational strategy.
- Summarize competencies, careers, and ethics in human resource management.
- Describe trends in the labour force composition and how they affect human resource management.
- Discuss how technological developments are impacting human resource management.

Critical Thinking Questions

1. Does the “people side of the business” interest you? Why or why not? (LO1)

Answer: Student responses will vary about their interest in the “people side of the business”. Look for demonstration of the students’ application and connection of concepts cover in this chapter such as HR careers, roles, and responsibilities.

2. Consider a job that you have (or had). How would you rate your employee experience? What were the key moments that contributed to how you rated your employee experience? Which HR activities related to these key moments? (LO1)

Answer: Student responses will vary. Look for demonstration of students’ understanding of the chapter concepts including connections to HR professionals, managers, and people process that shape employees’ perceptions about their experience at work (e.g., recruitment and selection, training and development, performance management, and total rewards).

3. Why do all managers and supervisors need knowledge and skills related to human resource management? (LO1)

Answer: Although many organizations have human resource departments, non-HR managers and supervisors must be familiar with the basics of HRM and their own role regarding managing human resources. Supervisors and managers typically have responsibilities related to all HR functions. Supervisors and managers help analyze work, interview job candidates, participate in selection decisions, provide training, conduct performance appraisals, and recommend pay increases. On a day-by-day basis, supervisors represent the company to their employees, so they also play an important role in employee relations.

4. How can evidenced-based HRM support and shape organizational strategy? (LO2)

Answer: Evidence-based HRM can be used to demonstrate the impact HR practices have on business strategy and performance. HR analytics involves using quantitative and scientific methods to analyze data to understand the role of talent in executing the business strategy and achieving business goals. Information can be used to create insights and make people-related decisions that help drive organizational effectiveness, providing a competitive advantage.

5. What should an HR department consider besides cost savings when evaluating the use of HR analytics? (LO2)

Answer: HR should consider how the use of the information can help the organization perform better. Understanding how the data can be used to support organizational practices will help HR

be viewed as a strategic partner. HR should not only focus on the present but also on the future company goals.

6. To what extent do you think employers are responsible for the well-being of their employees? (LO3)

Answer: Business decisions, including HRM decisions, need to be ethical, and many executives and others see treatment of employees as a top concern. Organizations depend on HR professionals to help them identify and carry out many of the responsibilities to provide satisfying and engaging work environments and maintaining positive relations with employees. To benefit from the full capacity and potential of their workforce, organizations need to pay attention to the workplace factors that support employee well-being.

7. What competencies are important for success in human resource management? Which of these competencies are already your strengths? Which would you like to develop further? (LO3)

Answer: The HRP's professional competency framework (Figure 1.4) and the supporting textbook descriptions provide a useful framework for a focused discussion. The student responses will vary as to which skills are their current strengths and which skills they would like to develop.

8. How does being/becoming a self-regulated profession impact HR professionals? The general public? (LO3)

Answer:

In Ontario, Quebec, and Saskatchewan, HR Professionals have been granted the status of being a self-regulated profession. HR associations in these provinces are required to serve as regulatory bodies for the profession. For example, Ontario is governed by the Registered Human Resources Professional Act, 2013. Being regulated means the HR association enters into an agreement with government to protect the public interest by ensuring HR professionals have and maintain the highest standards of professional practice and ethical conduct.

9. How does each of the following labour force trends affect HRM? (LO4)

- a. Aging of the workforce
- b. Diversity
- c. Shift to knowledge workers
- d. Increasing levels of education of the workforce

Answer: An organization's internal labour force comes from its external labour market—individuals who are actively seeking employment. In Canada, this labour market is aging and becoming more diverse.

- a. Organizations will need to address issues such as career plateauing, retirement planning, retraining, and controlling health benefit costs as well as consider how to be flexible enough to meet the needs of older workers, who may wish to defer retirement, reduce work hours, or begin work again after an initial retirement.
- b. Organizations recruit from a diverse population which requires establishing bias-free HR systems and supporting employees to understand and appreciate cultural differences. In addition, organizations need to consider how to be authentically inclusive to engage the full potential of the workforce's innovative and creative capacity.
- c. Organizations also need employees with skills in decision making, customer service, and teamwork, as well as technical skills. The competition for such talent is intense.
- d. Organizations will need to provide meaningful work and ongoing opportunities for learning and development to meet expectations of a workforce with higher levels of education.

10. Which technological development in HR did you find most interesting or thought provoking? What are you still curious about? (LO5)

Answer: Student responses will vary. Look for connection and understanding of concepts related to advances in technology that have impacted the way information is being used in HR. Concepts central to this discussion include: HRIS, cloud computing, analytics, artificial intelligence (assisted intelligence, augmented intelligence, and autonomous intelligence).

11. How could developments in HR technology make a company a better place to work? (LO5)

Answer: Technology is changing the way we play, shop, communicate, live, and work as well as the way HRM is practiced. Student responses will vary but should demonstrate connection to the three product lines of HR (administrative services and transactions; business partner services; and strategic partner) in the context of the various technologies discussed in the chapter e.g., social networking, artificial intelligence, robotics, etc. Alternatively, students can be encouraged to explore and examine how the various technologies discussed in the chapter could be applied to each of the HR functions to enhance efficiency and/or effectiveness.

CASE STUDY: EVIDENCE-BASED HRM

QUANTIFYING THE EMPLOYEE EXPERIENCE

Case Summary:

This case discusses how IBM is using extensive research to understand, enhance, and measure employee experience and how enhanced employee experience translates to organizational profitability.

Answers to Questions:

1. **What is your reaction to IBM's approach to "co-creating the employee experience" by bringing employees into the design process for HR programs?**

IBM's approach illustrates chapter concepts including evidence-based HRM, the use of big data, and how enhancing employee experience through effective HR practices results in quantifiable desired organizational outcomes, including increased profitability. It will be helpful to encourage students to consider how creating a positive employee experience connects to employee engagement and commitment. Bringing employees directly into the design process for HR programs is likely to strengthen employee engagement and commitment to the organization and HR practices. Students' discussion about the value of personalizing employee experience and measuring employee experience using net promoter score is also likely to facilitate a stimulating conversation relatable to other disciplines as well e.g., marketing (customer experience).

2. **How could smaller organizations adapt IBM's approach to evidence-based HRM to support strategy and decision making?**

Responses will vary, but instructors should be sure to help students first understand that although HR responsibilities will vary among larger and smaller organizations, creating a positive employee experience is equally relevant to achieving desired and measurable organizational outcomes—even if the data available data for analysis is "small" rather than "big."

CASE STORY: EYE ON TECHNOLOGY

AT MERCK, ANALYTIC SKILLS HAVE A MEASURABLE IMPACT

Case Summary:

This case discusses how Merck implemented a people analytics platform to better serve the company's strategic needs. The case explains how the People Analytics and Strategic Workforce Planning Group collected all key employee- and job-related data into a new analytics platform that provides future modelling scenarios and statical analysis capabilities to help improve and streamline human resources information.

Answers to Questions:

1. What categories of competencies can you find described in this story? Suppose the HR department had brought in HR analytics experts whose other competencies (i.e., outside of critical evaluation) were just average. How would that staffing approach have affected the introduction and use of the data analytics platform at Merck?

Core competencies include HR expertise (the HR professionals are charged with understanding the business issues that managers can benefit from investigating), relationship management, consultation (they consulted with business managers), communication, and global and cultural effectiveness (to get the global company working on the same page).

If the experts did not have competencies in relationship management and consultation, they might not have gathered the right data or been able to use it effectively to make any positive change within the company.

2. When the stakes for employee performance are so high (for example, at a company like Merck that develops and manufactures life-saving and life-enhancing medicines), how might HR analytics provide insights valuable to understanding and predicting employee performance and retention?

Data could be analyzed to investigate any changes in employee performance and retention. HR can use this data to develop further insights and help make recommendations to support HR practices

RUNNING CASE: INDIGENIZING THE WORKPLACE

Chapter 1: HRM Strategy

See the “Indigenizing the Workplace Instructor’s Manual” on Connect.