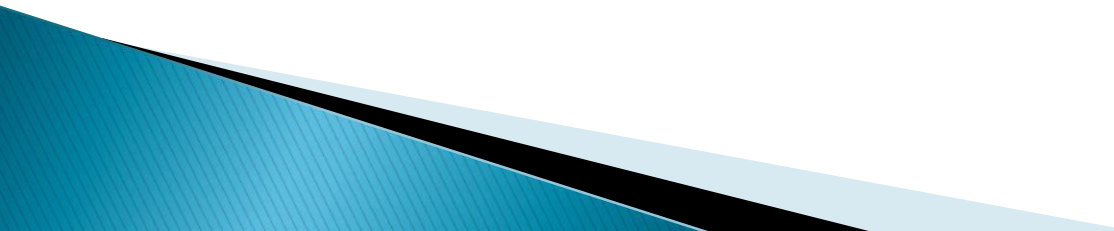


# The Strategic Role of Human Resource Management (HRM)

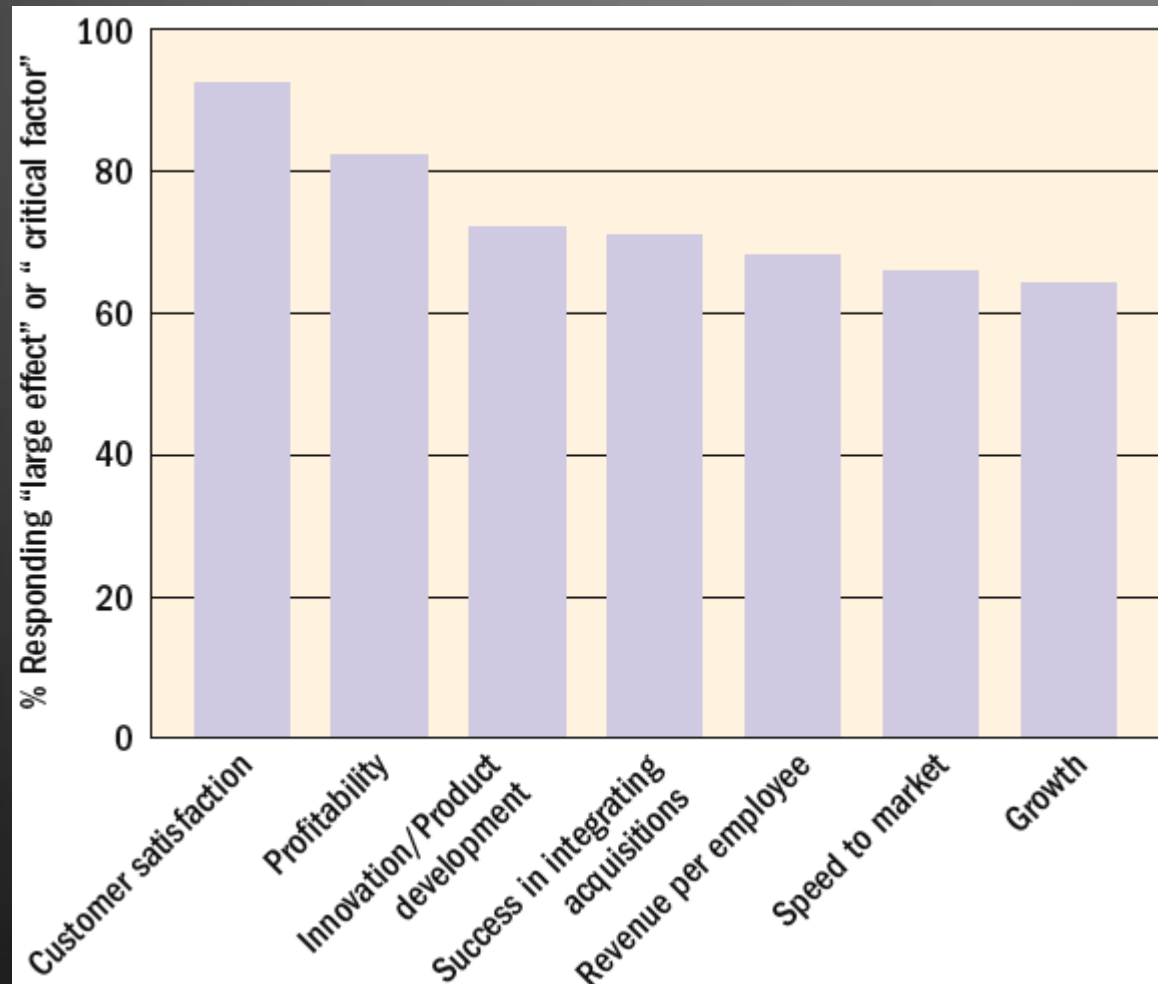
Prof Bhaswati Patnaik  
Department of Psychology  
Utkal University

# The Manager's HRM Jobs

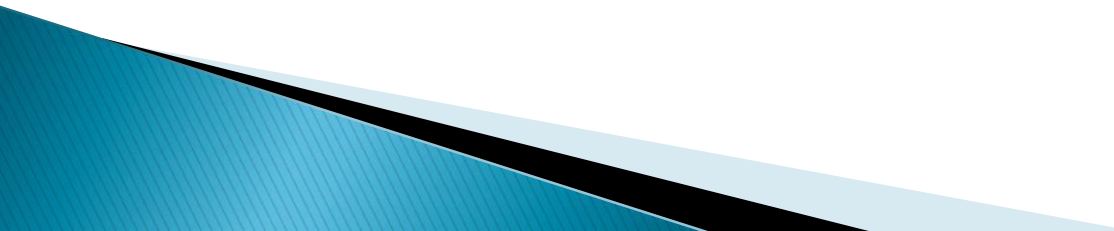
- ▶ Management process
    - The five basic functions of planning, organizing, staffing, leading, and controlling.
  - ▶ Human resource management (HRM)
    - The policies and practices involved in carrying out the “people” or human resource aspects of a management position, including recruiting, screening, training, rewarding, and appraising.
- 

# Role of Human Capital on Business Outcomes

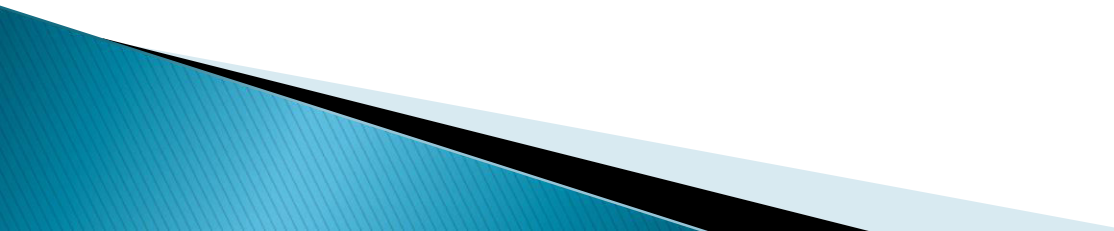
(Source: Dessler 2004)



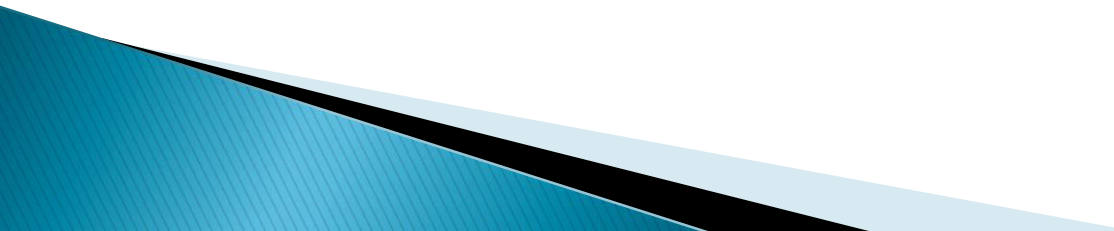
# Considerations underlying investment for employees

- ▶ Risk
  - ▶ Long term outcomes
  - ▶ Employability
  - ▶ Competitive edge
  - ▶ Outsourcing as an alternative
  - ▶ Recognition of downsizing costs
- 

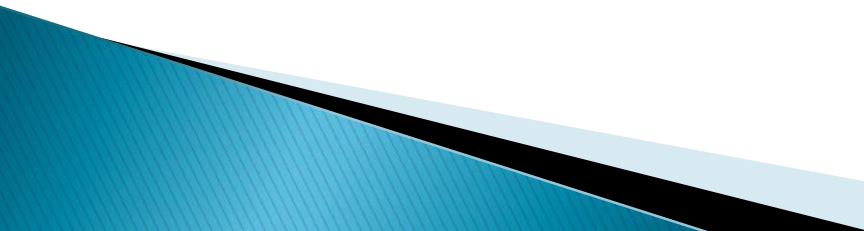
# Personnel functions of a Manager's Job

- ▶ Conducting job analyses (determining the nature of each employee's job)
  - ▶ Planning labor needs and recruiting job candidates
  - ▶ Selecting job candidates
  - ▶ Orienting and training new employees
  - ▶ Managing wages and salaries (compensating employees)
  - ▶ Providing incentives and benefits
  - ▶ Appraising performance
  - ▶ Communicating (interviewing, counseling, disciplining)
  - ▶ Training and developing managers
  - ▶ Building employee commitment
- 

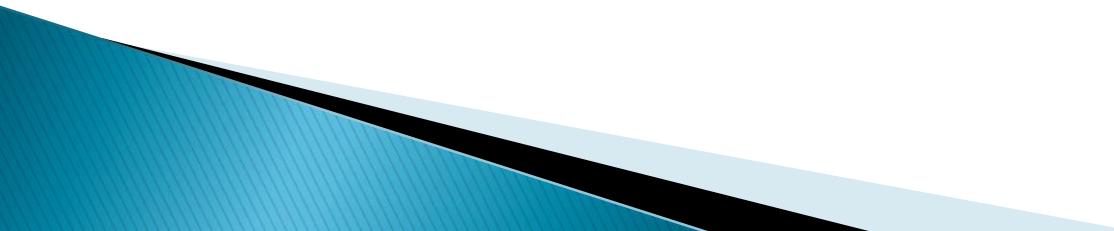
# New HRM Roles

- ▶ Mentoring
  - ▶ Creating Learning Organisations
  - ▶ Knowledge Management
  - ▶ Lay-offs & Outsourcing
  - ▶ Career Management for prevention of career plateaus of employees
  - ▶ Creating conducive climate for human resources during Mergers and Acquisitions
- 

# HR Dept's Responsibilities

- ▶ Placing the right person on the right job
  - ▶ Starting new employees in the organization (orientation)
  - ▶ Training employees for jobs new to them
  - ▶ Improving the job performance of each person
  - ▶ Gaining creative cooperation and developing smooth working relationships
  - ▶ Interpreting the firm's policies and procedures
  - ▶ Controlling labor costs
  - ▶ Developing the abilities of each person
  - ▶ Creating and maintaining department morale
  - ▶ Protecting employees' health and physical condition
- 

# When personnel job not done right

- ▶ Hire the wrong person for the job
  - ▶ Experience high turnover
  - ▶ Waste time with useless interviews
  - ▶ Have your organization in court because of discriminatory actions
  - ▶ Perception of Inequity
  - ▶ Commit any unfair labor practices
  - ▶ Score low in diversity management
  - ▶ Loss of Reputation of an organization
- 



# Measuring HR's Contribution

## ► Strategy

- The company's long-term plan for how it will balance its internal strengths and weaknesses with its external opportunities and threats to maintain a competitive advantage.
- HR managers today are more involved in partnering with their top managers in both designing and implementing their companies' strategies.

# Strategies in Brief

(Source: Dessler 2004)

Company	Strategic Principle
Dell	<i>Be direct</i>
eBay	<i>Focus on trading communities</i>
General Electric	<i>Be number one or number two in every industry in which we compete, or get out</i>
Southwest Airlines	<i>Meet customers' short-haul travel needs at fares competitive with the cost of automobile travel</i>
Vanguard	<i>Unmatchable value for the investor-owner</i>
Wal-Mart	<i>Low prices, every day</i>

# Types of Strategic Planning

## ► Organisational-level strategy

- **Diversification strategy** (e.g. adding new product or services)
- **Vertical integration strategy** (e.g. incorporating in-house training or production )
- **Consolidation strategy** (job enrichment strategies)
- **Geographic expansion strategy** : Expanding the company for offshore business

# Types of Strategic Planning (cont'd)

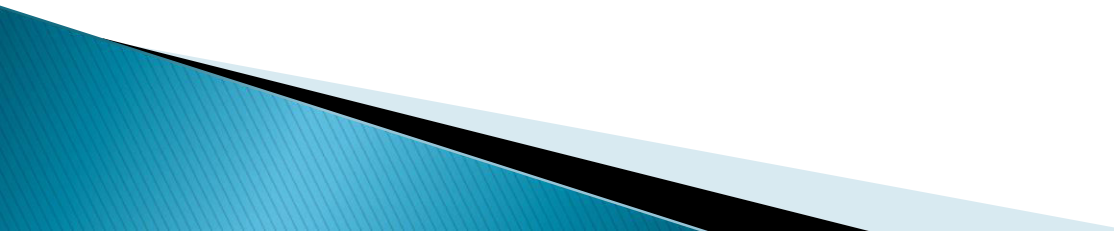
- ▶ Competitive strategy
  - Cost optimization
  - Distinctiveness of product
  - Customer focus

- ▶ Functional strategies:

Examples:

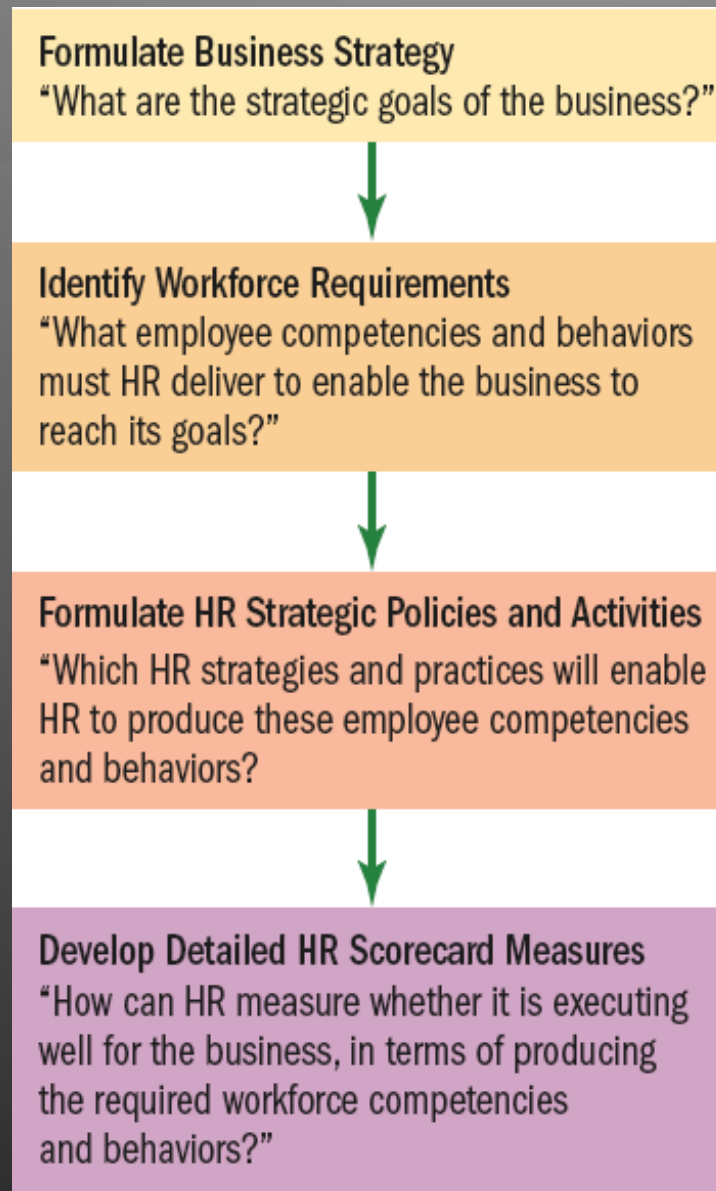
- ▶ Changes in Routines
  - ▶ Changes in operations
- 

# HR's Strategy Formulation Role

- ▶ HR helps top management formulate strategy in a variety of ways by:
    - Supplying competitive intelligence that may be useful in the strategic planning process.
    - Supplying information regarding the company's internal human strengths and weaknesses.
    - Build a persuasive case that shows how—in specific and measurable terms—the firm's HR activities can and do contribute to creating value for the company.
- 

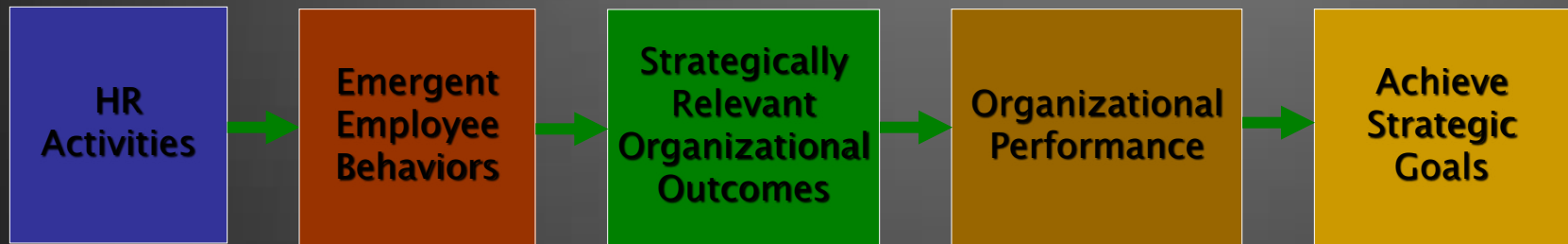
# Translating Strategy into HR Policy and Practice

Basic Model of How to Align HR Strategy and Actions with Business Strategy (Source: Dessler 2004)

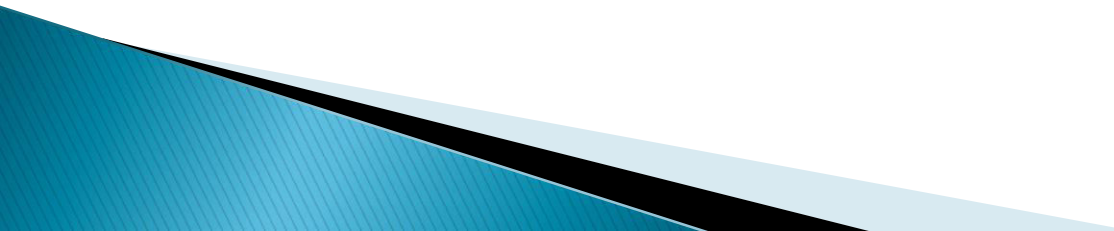


# Strategic HR Relationships

(Source: Dessler 2004)

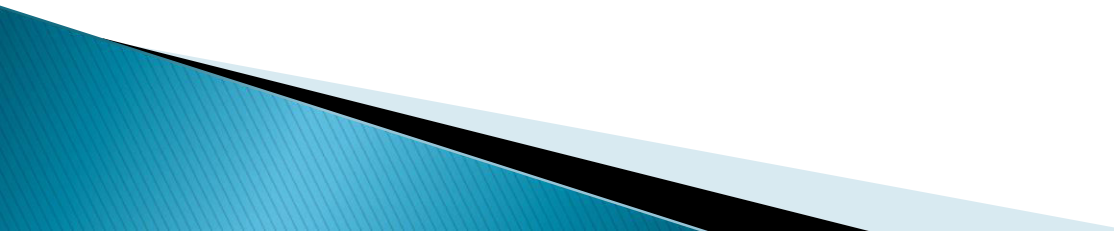


# The HR Scorecard Approach

- ▶ HR scorecard
    - Measures the HR function's effectiveness and efficiency in producing employee behaviors needed to achieve the company's strategic goals.
  - ▶ Creating an HR scorecard
    - Must know what the company's strategy is.
    - Must understand the causal links between HR activities, employee behaviors, organizational outcomes, and the organization's performance.
    - Must have metrics to measure all the activities and results involved.
- 



# Using the HR Scorecard Approach

- ▶ Step 1: Define the Business Strategy
  - ▶ Step 2: Outline the Company's Value Chain
  - ▶ Step 3: Identify the Strategically Required Organizational Outcomes
  - ▶ Step 4: Identify the Required Workforce Competencies and Behaviors
  - ▶ Step 5: Identify the Strategically Relevant HR System Policies and Activities
  - ▶ Step 6: Design the HR Scorecard Measurement System
  - ▶ Step 7: Periodically Evaluate the Measurement System
- 

# HR Metrics

(Examples Source: Dessler 2004)

- ▶ **Absence Rate**  
$$\frac{[(\text{Number of days absent in month}) \div (\text{Average number of employees during mo.}) \times (\text{number of workdays})] \times 100}{}$$
- ▶ **Cost per Hire**  
$$\frac{(\text{Advertising} + \text{Agency Fees} + \text{Employee Referrals} + \text{Travel cost of applicants and staff} + \text{Relocation costs} + \text{Recruiter pay and benefits})}{\div \text{Number of Hires}}$$
- ▶ **Health Care Costs per Employee**  
$$\text{Total cost of health care} \div \text{Total Employees}$$
- ▶ **HR Expense Factor**  
$$\text{HR expense} \div \text{Total operating expense}$$

# HR Metrics (Examples) (cont'd)

- ▶ Human Capital ROI

$$\text{Revenue} - (\text{Operating Expense} - [\text{Compensation cost} + \text{Benefit cost}]) \div (\text{Compensation cost} + \text{Benefit cost})$$

- ▶ Human Capital Value Added

$$\text{Revenue} - (\text{Operating Expense} - ([\text{Compensation cost} + \text{Benefit Cost}]) \div \text{Total Number of FTE}$$

- ▶ Revenue Factor

$$\text{Revenue} \div \text{Total Number of FTE}$$

- ▶ Time to fill

$$\text{Total days elapsed to fill requisitions} \div \text{Number hired}$$



# HR Metrics (Examples) (cont'd)

- ▶ Training Investment Factor

Total training cost  $\div$  Headcount

- ▶ Turnover Costs

Cost to terminate + Cost per hire + Vacancy Cost +  
Learning curve loss

- ▶ Turnover Rate

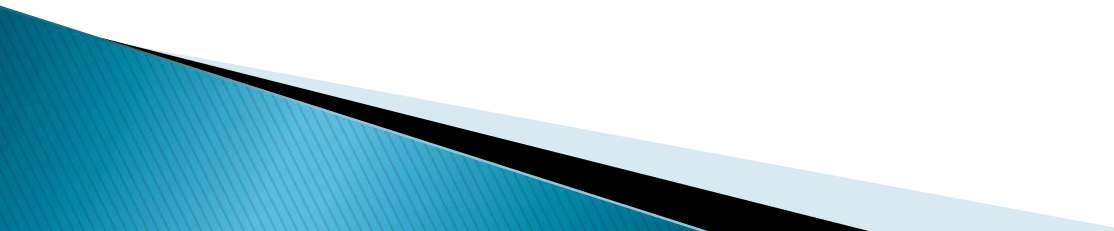
[Number of separations during month  $\div$  Average number  
of employees during month]  $\times$  100

- ▶ Workers' Compensation Cost per Employee

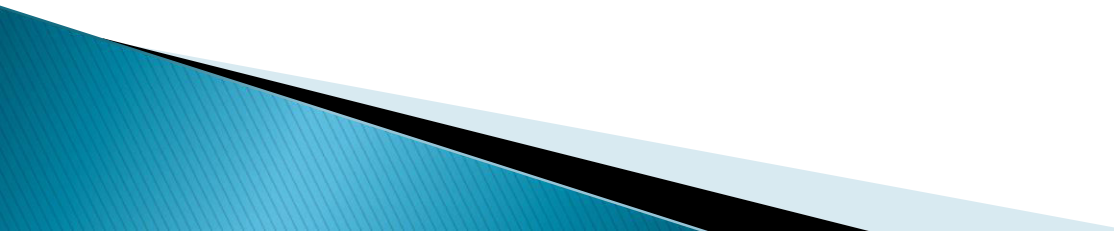
Total WC cost for Year  $\div$  Average number of employees

# Measuring HR Dept's Contribution

## ▶ The HR Scorecard

- Shows the quantitative standards, or “metrics” the firm uses to measure HR activities.
  - Measures the employee behaviors resulting from these activities.
  - Measures the strategically relevant organizational outcomes of those employee behaviors.
- 

# Conclusions

- ▶ HR is not just 'Achaar' or Pickle of the menu
  - ▶ It constitutes the most important factor in a company's long term market potential
  - ▶ Because it deals with Employees
  - ▶ Employees or Human Resources are the key Contributors of the organization.
  - ▶ Machines, Technology, Money etc do not work by themselves.
  - ▶ Employees manage everything.
  - ▶ So Managing Employees well is the key to success of any workplace.
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THANK YOU !