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Human Resources Management and SHRM (1): Chapter 01 Creating Value through Human Resources

Stewart & Brown 2008: Human Resource
Management: Linking Strategy to Practice,
HRM & OB module 2017/2018



What Human Resources Management is for (1)

- **Human resource management** focuses on the people side of the organization.
- **Why learn about HRM?**
 1. Research has shown that organizations with strong HRM create more **satisfied employees**, who in turn work harder to **satisfy customers** → tension toward the creation of the **competitive advantage**.
 2. **Human resource skills are universal and useful not only for HR professionals, but for everyone who has responsibility for leading others in the organization (hiring, managing and motivating).**

What Human Resources Management is for (2)

- We can observe the **Organizational Success** through two perspectives:
 - Success at various **stages of the Life Cycle**.
 - Success from the **Stakeholder viewpoint**.

What Human Resources Management is for (3): Success from a stakeholder perspective

- **Stakeholders** are defined as individuals or groups of people who can affect or who are affected by an organization.
- But this definition presents a problem → Can anyone tell what it is?
 - It is very broad and could include almost anyone.
- Primary stakeholders are:
 - **Employees**
 - **Customers**
 - **Owners** (shareholders)

What Human Resources Management is for (4): Success from a stakeholder perspective - Employees

- Employees make up an important group of stakeholders.
 - They complete tasks to make goods and services, and influence the organization's ability to achieve its objectives.
- **HRM** plays a major role in ensuring that the organization:
 - **complies with employment and safety laws;**
 - **helps design work tasks and programs which reduce turnover.**

What Human Resources Management is for (5): Success from a stakeholder perspective - Customers

- Research supports the notion that good HRM improves customer satisfaction, largely through customers' interactions with employees. This can be seen in the following ways:
 - Employees tend to treat customers **the same way they believe managers treat them.**
 - Employees, **who feel the organization evaluates them and treats them with respect,** reproduce these good attitudes and behaviors in their interactions with customers.

What Human Resources Management is for (3): Success from a stakeholder perspective – Owners (shareholders)

- Owners' main concern is the organization's profits.
- Research show organizations where employees who have **better skills**, are **well paid**, and **feel their jobs are secure** have **higher individual performance**, which translates into desirable improvements like growth in sales.

Human Resources Management aspects (1): Core function

Function	Description
Strategic Management	Working with other parts of the organization to create and carry out plans about ways to provide quality goods and services
Workforce Planning	Identifying jobs that capture the tasks employees need to accomplish; recruiting and selecting desirable employees
Development	Measuring employee performance; teaching employees new knowledge, skills, and abilities
Compensation and Benefits	Paying employees fairly; administering benefits such as insurance
Employee and Labor Relations	Working with labor unions; handling grievances; ensuring fair treatment
Health and Safety	Establishing procedures to prevent injury and accidents; reducing workplace violence

Core Human Resource Functions

Human Resources Management aspects (2): Core competencies



Human Resources Management aspects (3): Current Trends

- **Workforce diversity** particularly older workers, women, and members of minorities.
- Job growth is expected in the fields of **health care, education, and human resource management-service sector**
- Globalization will require human resource departments to create processes that **effectively manage people working in various foreign countries**

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Human Resources Management and SHRM (2):

Chapter 02 Making Human Resource
Management Strategic

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Strategy and HRM (1)

- **Strategy** is a set of coordinated choices about goals, actions and resources.
- From an HRM perspective, there are actually two types of strategy
 1. **competitive business strategy**, which focuses on choices about how to serve the needs of customers
 2. **HR strategy**, which focuses on choices concerning the management of people within the organization

Strategy and HRM (2)

- The logic of the **business idea**....
- Understanding broad changes outside the organization is critical for HR strategy as well → Organizations need information about demographic and cultural changes to forecast **how many workers with particular skills will be available in the future**.
- There are two **strategies** pursued at the business level.
 - **Cost leadership strategy**
 - **Differentiation strategy**

HR philosophies (1) : the Universalistic approach

- The **universalistic approach** seeks to identify a set of human resource practices that is beneficial for all organizations → **the commitment strategy**:
 - communicate the **message that management cares about employees**.
 - help to ensure that employees have **training** and freedom to pursue important **job tasks**.

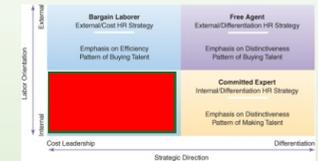
HR philosophies (2): the Contingency approach

- The **contingency approach** seeks to match HR practices with the **competitive business strategy**
- For Example, organizations concerned with reducing costs (cost leadership) emphasize processes and general roles. While, organizations following differentiation strategies will emphasize flexibility and distinctiveness.
- Another difference is whether the organization has an internal or an external labor orientation
 - Organizations with an internal labor orientation seek long-term relationships with employees
 - Organizations with an external labor orientation seek flexibility and do not make long-term commitments to employees.

HR strategies (1): conceptual framework



HR strategies (2): The Loyal Soldier



- **Hiring people early in their careers and retaining loyal employees that fit the organizational culture.**
- Broad roles and a great variety of tasks.
- Efforts to reduce the employees' turnover.
- Extensive training in different skills.
- Careers with very different positions.
- Performance appraisals on cooperation rather than competition.
- Compensation with long-term incentives and benefits linked to the overall performance of the organization.
- Unions, frequently help to build feelings of unity.

HR strategies (3): Bargain Laborer



- **Hiring employees who do not demand high wages.**
- Coordination with direct supervision.
- Clearly defined simple tasks that do not require developed skills.
- Little attention to meeting the long-term needs of employees. No careers with clear paths for promotion.
- Performance appraisal focuses on day-to-day feedback and rarely incorporates formal measures.
- Training limited to on-the-job techniques.
- Compensation on hours worked with no benefits and long-term incentives.
- The lack of consistency among employees tends to make unions somewhat rare.

HR strategies (4): Committed Expert



- **Hiring people early in their careers and retaining specialized ones that fit with the organizational culture.**
- Employees have freedom to innovate in performing tasks.
- Long-term training to be experts in specific fields.
- Performance appraisals are designed to balance cooperation and competition.
- Careers with numerous promotions into similar jobs with increasing responsibility.
- Compensation is relatively high and usually includes a benefits package.

HR strategies (5): Free Agent



- **Hiring people with already critical skills, not expected to remain with the organization for a long period of time.**
- Work with extensive responsibility and autonomy within specific areas.
- Short-term commitment, compensation and benefits.
- No training and no long-term careers in the organization.
- Performance appraisal focuses on outcomes and results and linked with compensation.
- Unions are rarely seen in these organizations

Aligning HR and competitive strategies

- Organizations are likely to have HR practices that fit with their competitive business strategies → the four HR strategies
- Research suggests that organizations with a **cost leadership** competitive strategy excel when they follow a **Loyal Soldier** HR strategy.
- Organizations with a **differentiation** competitive strategy excel when they use a **Committed Expert** HR strategy.