

Advances in Strategic Human Resource Management
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Strategic Human Resource Management (SHRM) and People Competency
Maturity Model
Lecture - 01 D
Measuring Effectiveness of HR Function

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If we compare the role of HR function on that template of business scorecard, we can see what are the different aspects of the performance of HR which will result into the different forms of success of the organization. We must recognize, that success of the business organization is not only financial in nature.

Success of the business organization is also about the success of their customers. Are they satisfied or not? Is the offering service or product is making their customers successful? Is it enhancing its well-being? Organization also look at the success in terms of the workforce success. Meaning is workforce satisfied, is workforce high on morale, is workforce commitment and competent to deliver what is expected from them.

Organization success also is determined by it is based on business process success. It is the process based on which services or products are delivered. Business process has to keep evolving because market is changing and we have already looked at the different trends like globalization, technology, nature of work etcetera. That is changing.

In order to cope up with these changes, they need to look at the, they need organization have to keep developing the business process and business processes have to be reflection, have to be the reflection of what is most desirable from the organization. So, HR need to contribute in all 4 aspects of the success of business organization.

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Some Questions Asked More than Often by All the Managers and Stakeholders

- Which Screening techniques yield the best performing recruits?
- What is the ROI of training?
- What target-setting approach will best motivate performance?
- How to enhance the employee engagement?
- How to promote innovation at workplace?
- How to build positive climate at workplace?

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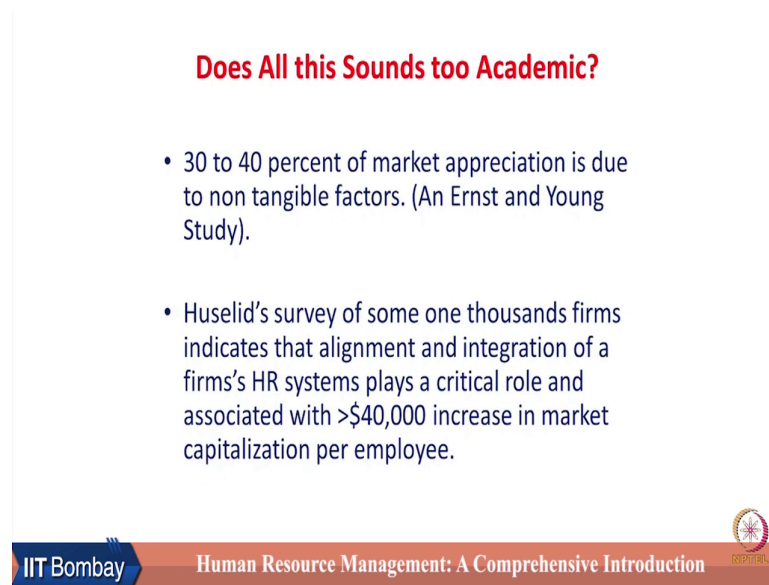
Let us look at some of the questions which are not only restricted or which are not only asked by the HR managers. If we look at some of the most prominent questions asked by line managers, these related to their team and related to the human resource, these questions are as following.

HR manager as well as line manager keep looking for and keep asking which are the screening techniques that yield the best performing recruits? What is the return on investment of training? What target-setting approach work best to motivate the performance? How to enhance the employee engagement? How to promote innovation at workplace? How to build positive climate at workplace?

How to make people to behave in a safe manner? How to prepare leaders to inspire their team members? How to ensure that people follow systems, processes, norms, corporate governance

related or ethic related at workplace? These questions are the one which takes maximum attention of the HR function, but these questions are not only of the HR functions. These questions are of all line managers as well.

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Does All this Sounds too Academic?

- 30 to 40 percent of market appreciation is due to non tangible factors. (An Ernst and Young Study).
- Huselid's survey of some one thousands firms indicates that alignment and integration of a firms's HR systems plays a critical role and associated with >\$40,000 increase in market capitalization per employee.

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And if you think this sounds too academic, you must look at least these 2-3. There are many studies, here we have here we have incorporated only two studies. One study was commissioned by large study commission by the Ernst and Young to look at the impact of HR processes or robustness or maturity of HR processes. And we will talk about maturity of the processes little later in the form of the competency maturity model.

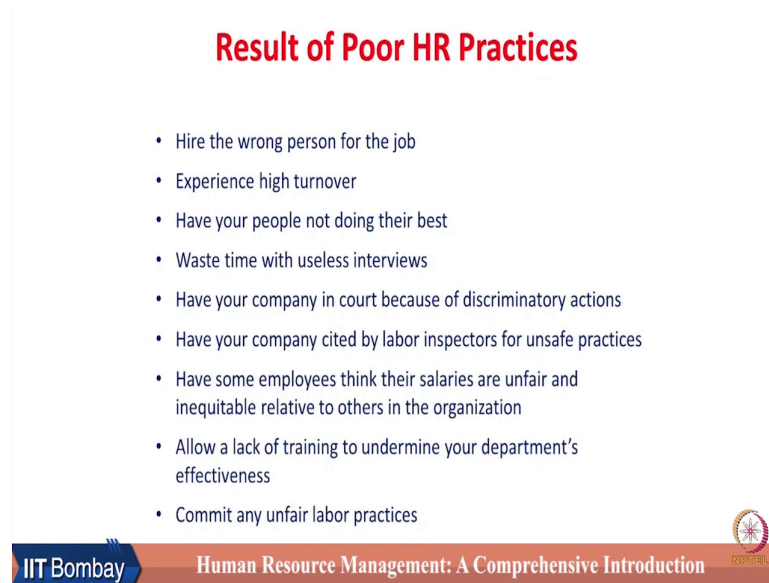
But this Ernst and Young study looked at the different intangible factors related to morale, related to motivation, leadership, leadership role modelling etcetera. What are what; so these intangible things which are generally which generally come under the concern or ambit of HR

function, they found that 30 to 40 percent of the market appreciation is due to the non-tangible factors in any industry.

Then, there is a very off quoted Huselid survey of someone about 1000 firms that indicates that alignment and integration of a firms HR system play a very critical role. And they calculated that the contribution per employee increases by the degree or more than 40,000 dollars in terms of the market capitalization with the better HR system.

So, these studies suggest that if we look at systematically, we can trace the impact of HR system on the tangible business results of organizations.

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Result of Poor HR Practices

- Hire the wrong person for the job
- Experience high turnover
- Have your people not doing their best
- Waste time with useless interviews
- Have your company in court because of discriminatory actions
- Have your company cited by labor inspectors for unsafe practices
- Have some employees think their salaries are unfair and inequitable relative to others in the organization
- Allow a lack of training to undermine your department's effectiveness
- Commit any unfair labor practices

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And what are the results of poor HR practices? A poor HR practices may result in hiring the wrong person for the job, experiencing high employee turnover, have your people not doing

their best, not giving their best, people wasting time with useless interviews, meetings etcetera.

Have your company in court because of the discriminatory action, if we do not follow the rules and regulations which HR's responsibilities. Have your company cited by labor inspectors for unsafe practices. Ensuring safety is one of the most important functions of HR, particularly in the manufacturing setting.

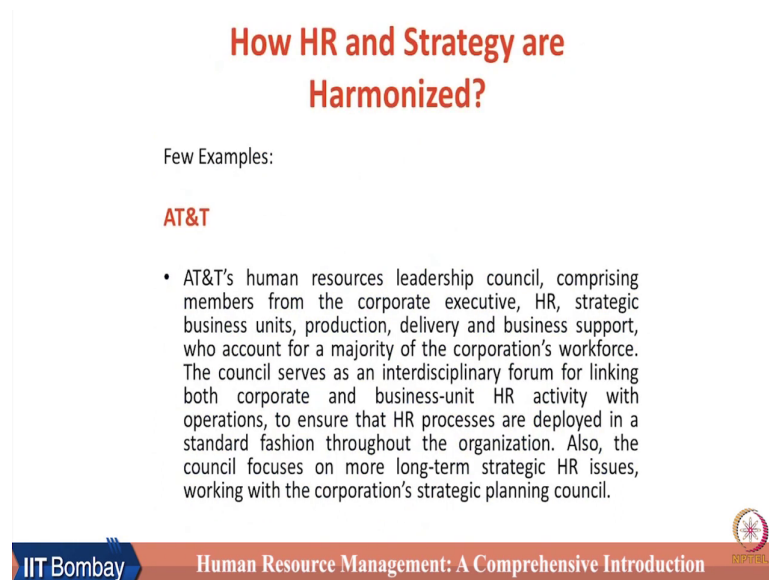
Have some employees think their salaries are unfair and unequitable relative to others in the organization. So, they will not find their, they will not perceive their organization just. Allow a lack of training to undermine the department's effectiveness. And it may also result in committing any unfair labor practices.

We can further examine what are the financial implication of these HR these results. For example, hiring the wrong person for the job, we can imagine the financial implication of a wrong hire. We can also and now there are systematic studies looking at how the employee turnover affects the financial health of the organization. Because when one employee leaves it takes about 6 month for the replacement employee to be as productive as an average employee in an organization.

So, organization has to invest not only 1 month salary to hire one more executive, but they have to invest time, training cost is also involved to make the person as effective or average on at the effective at the average level for any new employee in organization. Likewise, we can look at the financial implication of people not giving their best, people wasting time, the financial implication involved in the lawsuits because of discriminatory practices or because of the poor industrialization practices, likewise.

So, result of poor HR practices are very horrible. No organization would like to have these things to experience these as situations in their functioning.

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How HR and Strategy are Harmonized?

Few Examples:

AT&T

- AT&T's human resources leadership council, comprising members from the corporate executive, HR, strategic business units, production, delivery and business support, who account for a majority of the corporation's workforce. The council serves as an interdisciplinary forum for linking both corporate and business-unit HR activity with operations, to ensure that HR processes are deployed in a standard fashion throughout the organization. Also, the council focuses on more long-term strategic HR issues, working with the corporation's strategic planning council.

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I will be giving few examples of some of the organizations which have very beautifully connected strategy and HR function.

So, first example comes from AT and T AT and T is human resource leadership council. It is a very interesting body within their organization. This is an interdisciplinary body, which is comprises of the members from the corporate executives, HR, strategic business unit, production, delivery, business support so on and so forth. So, they are kind of the microcosm, representing the macrocosm called AT and T.

And this leadership council focuses on the long term strategic HR issues. So, HR issues are not only examined by the HR function, it is being examined by the microcosm of the

organization. And corporate strategic planning council is also worked closely with the leadership council. So, this is one way AT and T has integrated HR and leadership function.

A Mahindra AFS is another example. I would like to quote their particular activity or initiative called search for a strategist. So, search for a strategist is aimed at bringing above out the best in every employee and it has created a open platform.

So, open opportunity means it is this opportunity is available to employees of all the functions and at all levels. People can give ideas; they can form teams. This open platform also helps in a formation of the teams of the people passionate about similar ideas. Teams work on those ideas to improve the organization, improve the systems and processes and in turn which can improve the business results.

They present the ideas to the senior management and through search for a strategist the name of the process, the employees are encouraged to look at the problem from the business perspective. Of course, not only from the individual perspective or departmental perspective, and give important solutions.



Giving the strategic perspective and proposing innovation in systems, processes and offerings which can be valuable from the strategic perspective of the organization. So, this is one way, this is another way Mahindra AFS has helped in unleashing the strategic thinking of the employees. And this is also one way, they have connected HR process and the strategic thinking process in the organization.

SAS is another example because of its open book management policy. What is the open book management policy? It is about keeping the employee informed about various changes, facilities, procedures that are incorporated in the company.

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SAS

Open-book management is a HR practice followed by the management in which all the information is spread to all the levels of employee in the organization. This will keep the employee informed about the various changes, facilities, procedures that are incorporated in the company. This philosophy is used by the management to engage its employees and make them feel that they are valued and that is why the management always wants to keep them informed. One more advantage of this is that it generates an open-line of communication in contrast to the traditional top-down communication, which makes the employee organization friendly. This also gives all the employees an opportunity to raise or express their concerns.

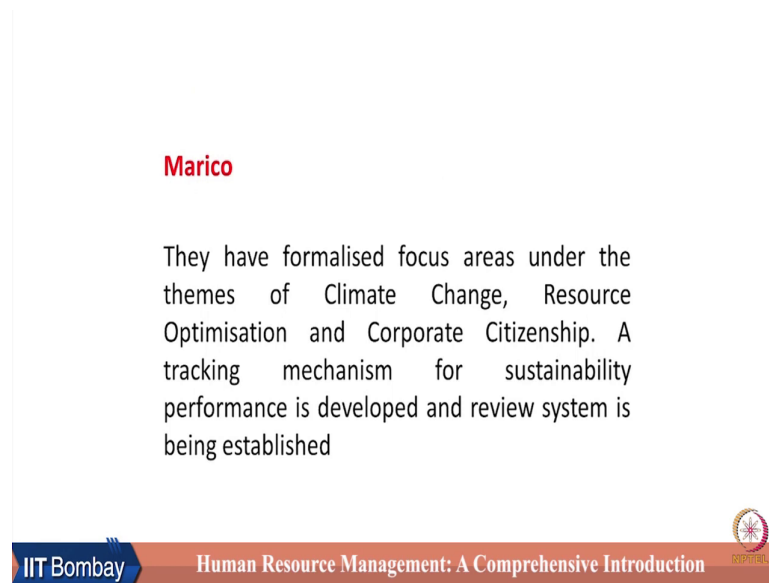
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This philosophy is used by management to engage its employees and make them feel that they have a they are valued and that is why the management always wants to keep them informed.

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If you present all the information related to the employees in the open forum, people get chance to interact with each other. And that interaction may result in more insights about that system.

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Marico

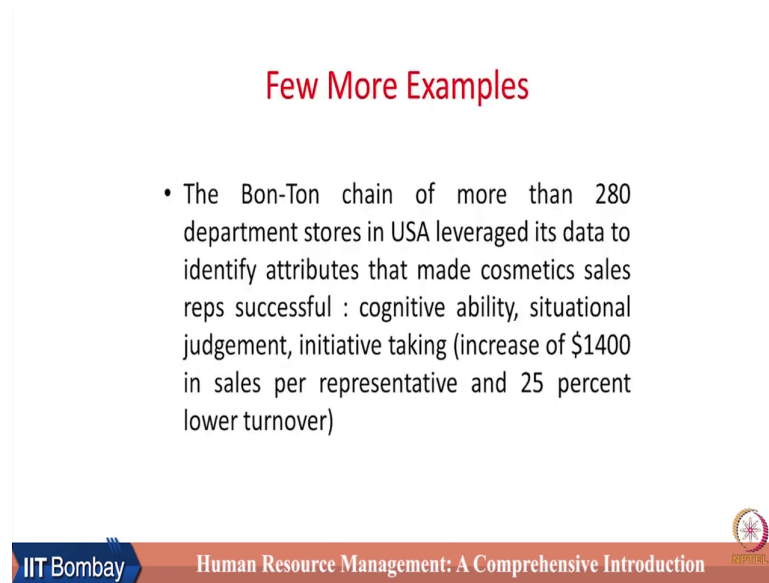
They have formalised focus areas under the themes of Climate Change, Resource Optimisation and Corporate Citizenship. A tracking mechanism for sustainability performance is developed and review system is being established

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The slide features a white background with a thin grey border. The title 'Marico' is in red. The text is in black. The footer is a red bar with 'IIT Bombay' in white and 'Human Resource Management: A Comprehensive Introduction' in white. A small circular logo is on the right side of the footer.

Another example is of the Marico. Marico have formalized a focus area under the themes of a Climate Change, Resource Optimisation, Corporate Citizenship. It tracking mechanism for sustainability performance is developed and a review system is also being established, around these 3 areas.

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Few More Examples

- The Bon-Ton chain of more than 280 department stores in USA leveraged its data to identify attributes that made cosmetics sales reps successful : cognitive ability, situational judgement, initiative taking (increase of \$1400 in sales per representative and 25 percent lower turnover)

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We can take example of Bon-Ton chain which has more than 280 department stores in USA, that leverage its data to identify attributes that make the cosmetics sales representative to more successful. What they found is the cognitive ability and the situational judgment and initiative taking, these are the most important attributes of the sales executives or sales representatives in the organization.

This is the result of a thorough analysis of the data which is now possible with the availability of many software's related to analytics. Saying, they calculated that there is an increase of the 1400 dollars in sales per representative per month and 25 percent lower turnover, if they focus more on these 3 things.

So, we have looked at some of these examples where strategic concerns or a strategic objectives or a strategic thinking of the organization was beautifully converged or integrated with the HR function.