
Chapter 1

Human Resources

The process of recruiting, hiring, and retaining competent employees has always been an important part of any business. In the business world today, this function has become ever more complex and important. The business environment is forever changing, and managers and human resources departments must be flexible enough to adapt to these changes, including the evolving laws, demographics, and business strategies.

HUMAN RESOURCES PLANNING AND STRATEGY

Just like any other aspect of business management, planning and strategy development are the first items on the agenda when tackling a project. Managers, professionals, and entrepreneurs are often faced with the task of developing a plan for how human resources will be needed to meet short- and long-term goals and objectives. For example, a company is interested in expanding its production capacity with a new plant to serve its western U.S. markets. As part of the strategic planning for this new facility, a human resources component of this expansion will be essential.

In its simplest form, human resources planning starts by conducting an analysis of staffing needs throughout the organization. This could mean either assessing the current staffing requirements or projecting future requirements if changes are expected. In either situation there are several questions that need to be answered and fully understood prior to the analysis.

1. What is the organization's strategic vision?
2. What are the short-term and long-term goals?
3. Are there any major changes in the market that will impact the organization's future?
4. What changes in staffing requirements, if any, are needed to support the strategic vision of the organization?
5. If changes are needed within the organization, what type of resistance can be expected to the changes?

Once these questions are answered, assessing the staffing requirements can be completed.

Assessing the staffing plans involves evaluating the human capacity needed to meet the goals and objectives of the organization, estimating the number of people needed for each department or role, and making adjustments as needed. This process does take a lot of experience and understanding of the specific business, but experienced managers should be able to make good assessments. If the managers are new to the industry, a good benchmark would be comparing the number of employees needed in similar organizations.

Signs that the current staffing needs are not in line with the condition of the organization:

- ✓ Regular breakdowns in the process flows, which jeopardize relationships with clients and customers. These include missed deadlines, increased returns, decreased customer loyalty, and regular administration mistakes.
- ✓ Frequent employee absenteeism and turnover caused by employees being overstressed, having poor morale, or looking for other employment.

- ✓ Regularly occurring overtime caused by employees being overworked or given too much responsibility. Overworking employees can lead to burnouts and increased costs in the long run.

Once the staffing plan is developed that meets the current and future plans for the organization, job descriptions can be created. This process involves analyzing each job in the organization in order to generate a job description and job specifications, and then these are aggregated at a company-wide level. Job descriptions can be a very important management tool in some organizations. Some thought should be put into them due to the nature of employees using job descriptions to define and defend their actions or inactions. Job descriptions can be either a restraint or an open door for employees or teams.

The job analysis involves collecting sufficient information to form a complete understanding of what is entailed to perform the job. A job description lists the activities that the employee performs, as well as the skills and qualities that are needed to successfully meet the job objectives. Think of this stage of human resources planning as if you were a newly appointed coach of an expansion football franchise. You would identify first the positions you would need to complete the roster, then the qualities you would like for each player, specific to each position.

Once the job analysis and job descriptions are determined, this information can then be aggregated to form a human resource inventory to track what skills and capabilities need to be filled in to complete the human resources requirements.

When completed correctly, job descriptions can be a very important tool and can be used in many different functions, including:

- ✓ Giving employees a gauge of how they will be evaluated within the organization.
- ✓ Helping determine the compensation level for individual positions.
- ✓ Establishing hiring criteria for specific positions, and giving candidates responsibility expectations.

A typical outline of a job description:

Job Title: Specific title that would be included in an organizational chart.

Overall Description: A brief description of the responsibilities an individual holding this position would have.

Reporting To: List of person(s) to whom this position reports, and any subordinate positions.

Duties: A detailed list of regular duties this position would be expected to perform.

Requirements: A list of mandatory or preferred requirements for the position, including number of years of experience, certifications, and licenses.

Criteria: A list of standards that will be used to evaluate the possible candidates, including specific skills, experience, or knowledge.

IMPLEMENTATION OF THE HUMAN RESOURCES PLAN

Once the planning part of the process is complete, the firm will set forth to implement that plan through the next set of human resource concepts and tactics: recruitment, selection, appraisal, rewards, and employee personal and professional development.

Recruitment

Recruitment is the process by which companies attract candidates to fill present and future positions, and the appropriate method varies from company to company. In most cases, the human resources department in the company will work together with managers in departments throughout the company or with others familiar with the personnel needs to determine a recruitment method and approach.

Many recruitment methods are available, including Internet and print advertisements, employee referrals, and outsourced agencies (“headhunter” executive placement firms, job placement agencies,

etc.) that perform recruitment services for the company, either on a fixed-fee arrangement, much like a consulting relationship, or on a performance-based basis where the fee is a percentage of the employee's salary. In some cases, the employee will pay the fees associated with such outsourced services, but more often the company will pay these fees. Other recruitment tactics include job fairs and college recruiting and might involve a combination of several methods.

Employee Leasing and Outsourcing. In the past decade, the use of “employee leasing” and temporary, or project-based, outsourcing of human resource needs has become more prevalent. In this scenario, the company contracts with another company that provides the employees for a specific need or project. The contracted worker is an employee of the provider company, with the provider company responsible for payroll, employee taxes, benefits, and other employee-related expenses. The company hiring these contract employees is thus free of the associated bookkeeping and administrative costs of maintaining these employees on its payroll—it makes a single payment to the company from which it is leasing the employees, rather than paying the workers individually.

These leasing or outsourcing arrangements are attractive to new or emerging companies or mature companies that may be experiencing an unusual spike in demand, or some other kind of nonrecurring event, presenting a solution for a company that needs to modify its workforce capacity with some upside or downside flexibility.

Recruitment: Inside versus Outside the Company. One of the first questions the company's human resources department is likely to ask is whether to fill job needs internally or to look outside the company. Hiring internally allows the manager to choose from a known pool of talent and can minimize misperceptions among candidates about the actual requirements of the position. In addition, hiring from within can be cost-effective and provide motivation for existing employees.

Generally, it is advisable to look outside the company when specific skills are required for the position and existing employees may not be reasonably expected to train for or learn these skills. The decision to look outside the company tends to be more appropriate when

there is a specific need to fill, such as technical requirements. Hiring from outside also helps to avoid the ripple effect of frequent internal staffing changes and the employee “musical chairs” syndrome that does not give staff time to mature into their respective jobs. (Though sometimes well-planned cross-training for different jobs within a company is a productive long-term strategy.)

Finally, recruiting outside the company can be an effective way to import experience and creativity or new ways of doing things. This infusion of outsider perspectives and approaches can infuse the company with a fresh look at its processes and systems.

Selection

The recruitment process just described will result in a pool from which to select the right employee—and this usually involves a combination of different selection methods in order to make the best employee selection decision.

Interviews and reference checks are the most commonly used, but other methods are available depending on the specific demands of the position. For example, background checks are appropriate when a position requires that the employee have significant customer interaction or if the prospective employee has a fiduciary involvement or responsibility with the company. Other selection methods include:

- ✓ Skill performance tests/work samples—for example, a graphic artist may bring in a portfolio of past projects, or a data entry candidate may be given a simulated work assignment.
- ✓ Personality tests—used especially in customer contact recruitment and selection (e.g., salespersons and customer service candidates).
- ✓ Physical abilities tests—used in many job requirements where physical condition is an essential element in job productivity or success (e.g., a product installation or delivery job).
- ✓ Drug tests—an increasingly used tool to ensure selection of candidates who do not involve themselves in chemical or substance dependency.

Interviewing. Face-to-face interviews can be extremely revealing but must be well prepared. The goal of an interview should be to learn whether the candidate has the competencies and technical skills that are most critical to the job, and questions should be prepared for each area. The interviewer's questions should focus on behaviors, not opinions, and may involve asking applicants to provide examples from their past experiences. Interviews provide an opportunity to read body language and the applicants' ability to "think on their feet," often replicating the realities of life on the job. Additionally, to ensure good fit with the culture of the company, an initial interview is often followed up by several more representing the other employees with whom the potential hire may work, as well as company representatives at different levels and areas within the company. An important step in the interview process is to check on a prospective employee's past performances by making inquiries to former employers and references. Four rules for more effective reference checks:

1. Ask the applicant to inform prior employers that you intend to contact them. Former managers are much more likely to provide useful information if they are aware beforehand that they will be contacted.
2. Open the call by describing the corporate culture of the organization. This provides some context for the previous employer's comments on the previous employee.
3. Reassure the previous employers that the information they provide will not determine the final hiring decision, but that your goal is to learn how best to manage the prospective hire.
4. Save formal questions such as dates of employment and title until the end of the call.

Employee Training and Development

It is one thing to be able to recruit and hire good employees, but to tap into and help them attain their full potential is just as or even more important. Training and development is an essential part of all

organizations today. The main benefits of employee development and training:

- ✓ Increases the value and capacity of the human assets of the company.
- ✓ Provides an alternative to recruiting, by having qualified personnel to fill vacant positions.
- ✓ Creates potential future leaders of the company.
- ✓ Helps reduce employee turnover by keeping individuals motivated and interested in their positions with the possibility for advancement.

Orientation. Training should begin on day one of employment, with every employee given an orientation. Getting employees off to the right start is a very easy way to build a company that embraces learning and development. Most small companies do not have formal orientation programs, but rely on individuals finding their way when they first get hired. This seems to work fine in smaller organizations when there is more informal means of communication, but as organizations grow most have found that formal orientation programs are necessary to get employees up to speed and productive in a timely fashion.

Formal orientation programs can range from an hour to several days, and the level of orientation usually depends on the level of the positions. Whereas entry-level or unskilled labor will need very little orientation, experienced professionals will need quite a bit more to get up to speed with the organization. Each organization needs to define its own orientation needs and programs. Assigning mentors is often done in place of an orientation program to give new employees a helping hand during the first few weeks on the job. At a minimum for small or large organizations, orientation programs should include:

- ✓ Detailed company history and overview of the current structure and products.
- ✓ Overview of employment policies and handbook (if applicable).

- ✓ Basics of compensation, benefits, and all other legal issues that arise.
- ✓ Health and safety issues.
- ✓ Information about business systems such as phone, e-mail, voice mail, and office equipment.
- ✓ Employee rewards and incentives.

Skill Training. Skill training is exactly what it says—training employees on new skill sets. This could take many forms, including training on new software, accounting, customer service techniques, or even team-building exercises. Skill training has two main goals: (1) to maintain employees' current skill level with ever-advancing technology and business practices, and (2) to give employees the necessary skills to advance through the organization.

Every organization is going to have a unique set of skills required of its employees. Of course many skills transfer from organization to organization very easily, but the scope of skills is usually unique for every organization. Prior to implementing training, organizations need to follow a few basic steps:

1. Conduct complete skill assessments, involve all levels of employees, develop core skill competencies for each position, and assess current gaps in the skill set.
2. Choose the training source. Whether you choose outside consultants, assign internal trainers, or devise online training, the source has to be effective for the given skill set.
3. Align training with the broad goals and objectives of the organization. This will help employees see the importance and be more likely to jump on board with the training.
4. Conduct training during work hours; this will help keep a positive attitude toward the training.
5. Conduct training in suitable facilities. Sticking a class in a dirty warehouse is not likely to be very effective.
6. Plan for feedback and assessment of all training programs.

Professional Development and Leadership Training

As organizations grow, adapt, and mature, there comes a time when existing managers and leaders will begin to think about stepping down and looking for replacements either inside the organization or out. When this situation arises, very often managers find themselves not being able to find qualified candidates with the right experience and who will be a good fit with the current organization. Managers typically find that internal candidates are very good at their current jobs but do not have the breadth of experiences it takes to manage multiple departments successfully. External candidates are also very experienced, but the right fit is very hard to find. One way to ensure that suitable replacements for top managers and leaders are available is to have a program or plan to develop leaders internally.

Leadership development programs are very common in today's business world; the risk of not planning for the succession of current leaders is too high for most organizations to bear. One common measurement tool used by organizations is to ask the question "Would the organization be able to survive successfully if the CEO or head manager was the victim of a fatal accident?" If the answer to this question is no, it would be wise for management to address this issue.

Leadership development programs take many forms, but they all have similar goals of providing certain employees with the necessary skills and experience to fill the shoes of top management in the future. The programs can be formal or informal, usually span several years, and should be a recurring program that is well accepted within the organization. Leadership development programs usually involve scheduled job rotations with increased responsibility with every step. High-potential individuals are usually hired into the programs, mentors are assigned, and their progress is measured regularly. Of course, every individual who enters the program is not guaranteed a top management position. All program participants will have to prove themselves and take a proactive approach to develop themselves professionally; and hopefully when the time comes for management succession, there will be qualified candidates to choose from.

The 360-Degree Assessment

The 360-degree assessment is a commonly used tool in organizations as a way of giving and receiving feedback at all levels within the organization. Simply put, a 360-degree assessment is a system used to gather input on individual employees' performance, not only from managers and supervisors, but from coworkers and from direct reports as well. Some companies also involve customers in a 360-degree assessment, especially in the case of customer-contact personnel. More traditional feedback tools, in which only the direct manager provides feedback, can very easily lead to a one-sided and incomplete employee review. The 360-degree assessment is much more likely to provide an accurate review and assessment of an employee's performance.

Almost all large companies today use a form of the 360-degree assessment for their employees; sometimes it takes on a different name, such as full-circle or multisource assessment. Here's how it works.

Typically all employees are given the opportunity to rate and give comments on all employees they work with on a regular basis, including managers, peers, and subordinates. Each assessment includes several different categories for employee assessment—for example, leadership, performance management, communication, teamwork, integrity, quality, problem solving, vision, trust, adaptability, and reliability. Each organization develops the assessment criteria based on what it feels is important.

Once the assessment is complete, employees have the opportunity to view how their coworkers assessed their performance, and managers get to see how they are generally viewed by their subordinates.

Dell, the U.S.-based computer manufacturer, has used 360-degree assessment, and the results have led to substantial management policy changes, including forcing upper management to be more in touch with the daily operations and allowing for routine opportunities for management to interact with subordinates.

Implementing the 360-degree assessment can sometimes be very difficult and can cause more harm than good if management is not careful. Giving feedback has to be done with caution given the sensitive nature of the data and the possible defensiveness of the employees who receive it. Some employees will not be comfortable giving frank

feedback to their peers. An organization needs to have a very high level of trust among the employees for this assessment to work effectively. If the level of trust is not established prior to the 360-degree evaluation, human tendencies such as protectiveness, revenge, and development of hierarchies take precedence and will skew the results, creating even more distrust within the ranks. If this trust level cannot be established, the 360-degree evaluation should be postponed to a later date.

Steps for Implementation of 360-Degree Evaluation. If a 360-degree evaluation has not been used previously in the organization, it might be wise to introduce the program as an internal program for personal improvement, not for management decisions. This will take the pressure off employees and allow for a more relaxed environment during the process. It may even be wise for upper management not to have access to the company-wide results the first time in order for employees to feel comfortable with the process. Many large companies have the 360-degree assessment in place for more than a year before they are able to see any benefits from the program and use it to make decisions. Employees need to feel comfortable with the system before they will actually use it as a learning tool.

Start out with a test group. When first implementing the 360-degree evaluation, start out with one department or a small group of employees. The time and resources needed for a company-wide implementation could end up being substantial. Starting with a test group will provide insight on issues and problems that likely will arise and will limit the cost if the 360-degree evaluation does not work within the organization.

Link the 360-degree evaluation's goals with the overall company goals. The 360-degree evaluation needs full cooperation from all employees along with a significant business reason for the implementation. If the program is linked to the overall goals, individual employees will have an easier time accepting and providing value.

Train employees. The 360-degree evaluation may include hiring an outside firm to handle the process, or if it is handled internally, there need to be assigned roles and responsibilities. The employees who are responsible need to be trained on all aspects of the evaluation; they must ensure that complete trust is held throughout the process.

Turn the results into an action plan. Once the evaluation is com-

plete, request ideas for an action plan from all employees. Hold meetings if necessary or provide other means for feedback opportunities. Ongoing goals and objectives need to be set for the future in order for everyone involved to feel that the program is effective and useful.

Questions that should be answered prior to implementing a 360-degree evaluation program include:

- ✓ How ready is the organization for the 360-degree evaluation?
- ✓ Who is going to be involved?
- ✓ Is this a mandatory or voluntary project?
- ✓ What criteria will be evaluated?
- ✓ How will the information be collected, compiled, and distributed?
- ✓ Who is going to be responsible for each activity, including planning, assessing, compiling the information, distributing the results, developing the action plan, and following through?

The 360-degree evaluation, if used correctly can be a valuable organizational tool that will provide a path for personal and organizational development. It can help direct and mold the corporate culture, define and set goals, and create camaraderie among employees.

HUMAN RESOURCES MANAGEMENT AS A COMPETITIVE TOOL

Human resources planning has evolved over time from a basic tool used by companies to identify personnel needs to an integral part of an organization's strategy for making the most of its "human capital."

Increasingly, companies are finding that the strategic management of human resources can actually be a source of competitive advantage. For example, one company that has clearly used its human resources as the key driver of its competitive advantage is Southwest Airlines.

In the airline industry, competitors are using essentially the same kind of equipment, maintenance, and aircraft, and also utilize the same physical locations (i.e., airports), yet Southwest consistently outperforms its competition, using the very same hard assets as its

competitors. The main, telltale variable explaining the difference in relative performance between Southwest and its less profitable competitors is its focus on the human side of its business model. Southwest has focused a great deal of its energy in developing a highly productive organizational culture by crafting a human resources strategy that has driven its sustainable competitive advantage.

Additionally, companies like Whole Foods Market, SAS Institute, and Men's Warehouse proactively address personnel issues in order to keep their employees happy with their jobs. It has been proven time and again that when organizations take care of their employees, the employees will take care of the organization.

Men's Warehouse, for example, has a corporate philosophy to uncover untapped human capital in all of its employees. It operates under well-defined values and believes the employees are the organization. They provide training for all levels and, as an added bonus, provide very low-interest loans to employees. As a result, Men's Warehouse has reaped unprecedented growth of more than 30 percent annually in recent years in an industry that is very competitive with very low margins. The company also benefits from low-to-zero employee theft and does not use any devices to try to prevent employee theft.

The Men's Warehouse model can be transferred to any industry. It starts with well-defined goals and values to make human capital a competitive advantage for the organization. In the Men's Warehouse example, the company's goal was to develop every employee to his/her fullest potential. Then once the goals and values are decided on, programs are developed to make them attainable and a reality.

SUMMARY

Human resource planning, recruitment, and selection are the initial steps in effecting the company's strategy by maximizing its investment in human capital. Think of the recruitment and selection like a funnel, with the wide part of the funnel collecting a wide assortment of candidates, and the selection process sorting the candidate pool into a smaller group of qualified candidates, both in terms of the skills needed for the job and from the standpoint of their fit with the organizational culture of the company. Both kinds of suitability are

needed to effectively advance the company strategy via its human resources capabilities.

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