

Managing Performance

Week 4

Evaluating the HR Function & Employee Value Proposition)

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Lesson Aims

- To review how the HR function can be evaluated in terms of its contribution to company performance
- To understand the methods of evaluation and when it is appropriate to apply them

Evaluation criteria:

For most HR activities, there are three basic questions:

- Are we doing this as effectively as possible?
- Are we doing it as efficiently as possible?
- Are we doing it as fairly as possible?

Criteria for evaluating contribution of HR

1

Cost savings

X

2

Development of knowledge and skills

3

Enhanced employee satisfaction

X

4

Enhanced individual/organisational performance

5

Positive feedback from line/senior managers

X

6

Enhanced customer satisfaction

Types of criteria

- Backward-looking: data on past performance to track progress and identify problem areas.
- Forward-looking: cost-benefit analyses of proposals.

Methods of Evaluation

- Benchmarking (internal /external) – comparing data with other organisations, industry averages, previous periods, or departments/teams
- Appraisal – identification of performance (scores); KSA identified; learning needs
- Skills audit – measuring current KSA against future needs
- 360 feedback – range of views of a range of people
- Exit interviews – reasons for leaving, may be more honest
- Surveys employees/customers – information to improve service
- Customer feedback/complaints

Evaluating the HR contribution:

- Hard to do as many HR outcomes are intangible.
- Outcomes cannot easily be allocated to specific initiatives.
- Growing interest in Human Capital Reporting.
- CIPD human capital taskforce identify 4 broad headings:
 - acquisition and retention of people
 - learning and development
 - human capital management (policies and procedures)
 - performance.

Human Capital Management

Factors impacting on measurement

- Type of organisation; business goals/drivers
- Stakeholder priority
- Existing key performance indicators
- Use of balanced scorecard
- The availability of data

Intellectual Capital Management

- **Human capital** – knowledge, skills, abilities and capacity to develop and innovate possessed by people
- **Social capital** – structures, networks & procedures enabling people to acquire and develop intellectual capital
- **Organisational capital** – institutionalised knowledge stored in databases and manuals (e.g. HR policies and processes)

Metrics

- Quantitative (metrics): Clear and suitable for making comparisons:
 - rates (turnover, absence, grievances, etc.)
 - ratios (profit generated per employee)
 - questionnaire or test based (staff attitude)
 - rating of HR by stakeholders.

HR Statistics - Management Information (MI)

- Recruitment Spend
- Absence Figures
- Labour Turnover
- Retention of key staff
- Number of disciplinaries and grievances
- Training Spend per head
- Training hours per head
- Exit interviews
- Engagement/job satisfaction survey results

Evaluating Success – HR Metrics

- In pairs list the HR metrics used in your organisation under the following headers:
- Resource & Talent Planning
- Learning and talent development
- Service delivery
- 10 minutes

Evaluating Success – HR Metrics

- **Resource & Talent Planning** – advertising costs, recruitment success rates, selection process in relation to future performance, induction resulting in higher retention
- **Learning and talent development** – measurement of L&D costs, time spent developing skills; measure number of internal promotions over a period; reduction in complaints/mistakes; feedback on why they leaving such lack of development opportunities
- **Service delivery** – service level agreements and meeting of targets; performance related KPIs; complaints/satisfaction in relation to shared service sectors; return on investment/cost

KPI's

- Identifying targets for HR activities
- Assess performance against these targets
- Ensure KPIs are SMART (specific, measurable, achievable, realistic, timebound)
- KPIs should be aligned to organisational

objectives

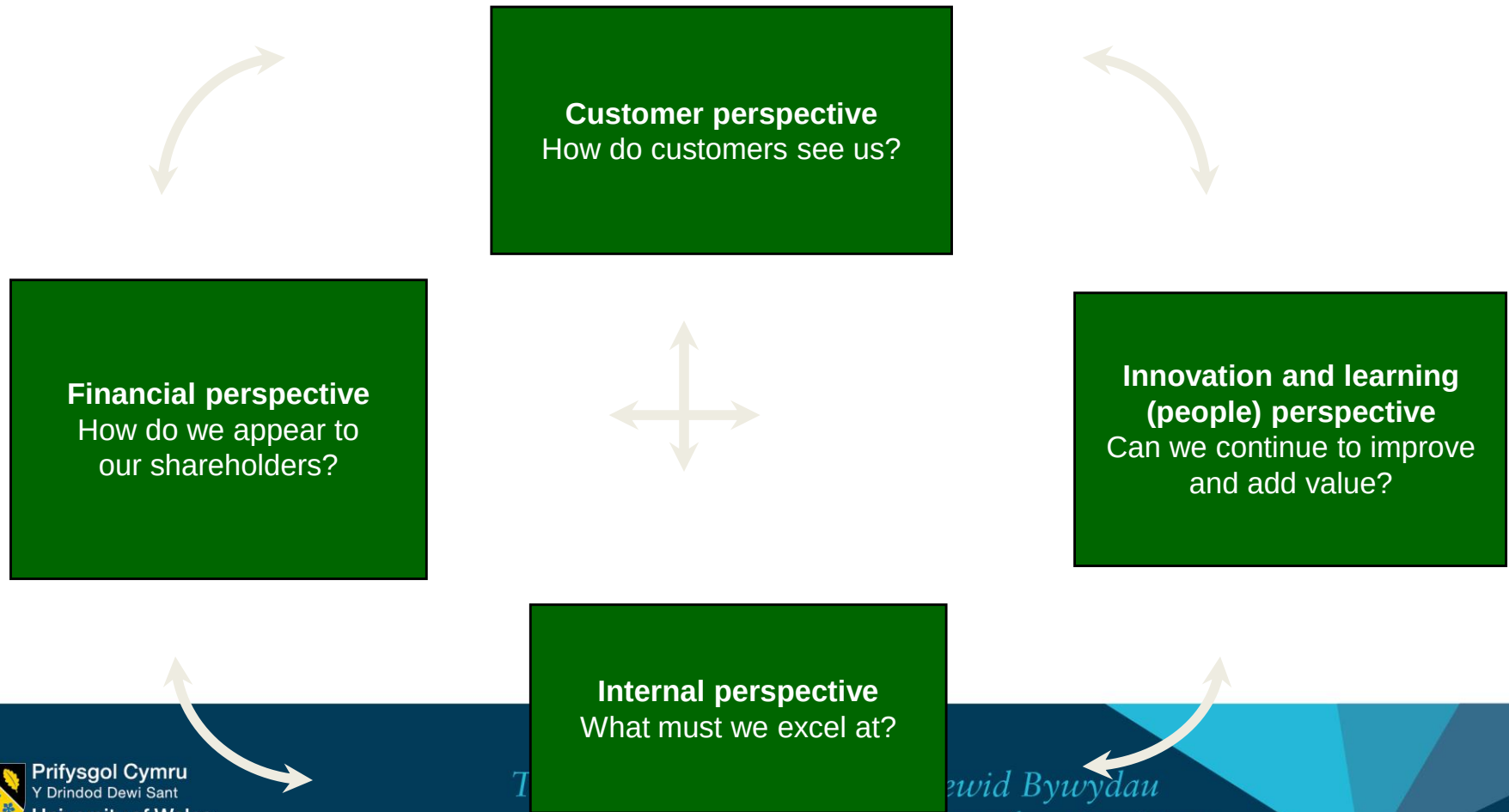
Balanced scorecard

Kaplan & Norton (1992)

An integrated framework for balancing shareholder and strategic goals, and extending these balanced performance measures down the organisation

Provides a view of a firm's overall performance by integrating financial measures with other key indicators

Balanced Scorecard



Balanced scorecard

- Financial results
- Customer relations - they must be happy with the service they receive
- Internal processes – focuses on the key internal processes that drive the business
- Learning and Growth – measurement of potential future performance – firm's people and infrastructure

Balanced Scorecard

- Create a document that lists an agreed set of performance measures (including KPIS) in a series of tables
- Each measure weighted in relation to their importance and value to the business
- These measures should fall within these 4 categories; financial perspective, customer perspective, innovation, learning and growth, internal business perspectives based on organisational goals

All department have their own scorecard with specific measures under each of their perspectives tailored to their function. This enables cross company comparisons

Balanced scorecard - example

- Goal– to increase shareholder value
- Corporate strategy – focus on the customer's perspective
- Company examines its internal processes and adapts where necessary
- Organisation's capacity for learning & development seen as key competitive advantage

Benchmarking

- Five key HR metrics for 2016
- Number of employees per HR staff member
- Labour turnover (voluntary resignation rate)
- Absence rate
- Annual leave
- Pay awards (expected value)

Service Level Agreements (SLA's)

- SLAs establish customer expectations with regard to the service provider's performance and quality in a number of ways. Some [metrics](#) that SLAs may specify include:
- Availability and uptime -- the percentage of the time services will be available.
- Specific performance [benchmarks](#) to which actual performance will be periodically compared.
- Application response time.
- The schedule for notification in advance of network changes that may affect users.
- Help desk response time for various classes of problems.
- Usage statistics that will be provided.
- Penalties for non compliance/poor performance

Surveys

Internal

- Employee Surveys

External

- Gallup

New approaches:

- Involve assessing HR in financial terms: Balanced Scorecard; Return on investment; Human asset accounting
- Various systems developed by consultants.
- Step 1: Isolate the effects of a particular intervention
- Step 2: Calculate an estimate of value (£)
- Step 3: Calculate return on investment.

Return on investment = (benefit less cost / cost) x 100

Summary:

- Formal evaluation of HR programmes is hard to do, but can significantly enhance the credibility of the function.
- HR initiatives are best evaluated in terms of their effectiveness, efficiency and fairness.
- Evaluation can be quantitative or qualitative.
- Main methods of evaluation used are benchmarking, audit-based, survey-based and goal-based.
- New approaches have been developed focusing on monetary impact.

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Employee Value Proposition)

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What kinds of Employee Value Proposition can be offered ?

- Competitive Remuneration
- Good benefits
- Challenging work
- Development opportunity
- A good working environment
- Career opportunities

HUMAN RESOURCE MANAGEMENT

- **Performance Management – should critically analyse management of people in organizations (i.e. in the private, governmental or NGOs/INGOs) organizations.**
- **Management is getting things done through people. All managers are HR managers.**

Human resources management - defination

- The management function of identifying the need for acquiring, optimally utilising and finally discharging the human factor back to society in a responsible and ethically acceptable way.
- Refers to the philosophy, policies, procedures and practices related to the management of people in an organisation.

- It is the function of management that focuses on staffing. It goes beyond the traditional personnel management role.
- It is the process of acquiring, training, appraising and compensating employees and attending to their labour relations, health and safety, and fairness concerns
- Includes *All* decisions that affect the workforce

Personnel management Vs HRM

- Traditionally the people function in the organisation was called personnel management.
- Now it is HRM, Human Capital Management, HR Business Partner, Talent Management etc
- *What has changed?*

DIFFERENCES BETWEEN PERSONNEL MANAGEMENT AND HUMAN RESOURCE MANAGEMENT

- **TIME & PLANNING PERSPECTIVE:**

- **PERSONNEL** – short term, reactive, ad hoc, marginal.
- **HUMAN RESOURCE** – long term, proactive, strategic, integrated.

- **CONTROL SYSTEMS:**

- **PERSONNEL** – External controls
- **HUMAN RESOURCE** – Self control

- **PSYCHOLOGICAL CONTRACT:**

- **PERSONNEL** – Compliance
- **HUMAN RESOURCE** – Commitment

- **EMPLOYEE RELATIONS PERSPECTIVE:**

- **PERSONNEL** – Pluralist, collective, low trust
- **HUMAN RESOURCE** – Unitarist, individual, high trust

DIFFERENCES BETWEEN PERSONNEL MANAGEMENT AND HUMAN RESOURCE MANAGEMENT

- **PREFERRED STRUCTURES AND SYSTEMS:**
 - **PERSONNEL –** Bureaucratic/mechanistic, centralized, formal, defined roles.
 - **HUMAN RESOURCE –** Organic, devolved, flexible roles
- **ROLES**
 - **PERSONNEL –** Specialist/professional
 - **HUMAN RESOURCE –** Largely integrated into line management.
- **EVALUATION CRITERIA:**
 - **PERSONNEL –** Cost minimization
 - **HUMAN RESOURCE –** Maximum utilization (human asset accounting)

HRM functions

- These are the concepts and techniques you need to carry out the “people” or personnel aspects of your management job. They include:
- Job analysis (determining the nature of each employees job)
- Planning labour needs (HR planning
- Recruitment and selection promotion, transfers and dismissals
- Orientation and training and development

HRM functions

- Managing wages salaries, incentives and benefits (compensation management)
- performance management
- Health and safety
- Collective bargaining
- Managing Relations
- Developing and designing systems or processes that facilitate organizational restructuring

Objectives of HRM function

- The contribution of HRM makes to organizational effectiveness include the following:
 - Helping the organisation reach its goals
 - Employing the skills and abilities of the workforce efficiently
 - Providing the organisation with well trained and motivated employees
 - Increasing to the fullest, the employees job satisfaction and self actualization.

Objectives of HRM

- Developing and maintaining quality of work life that makes employment in the organisation desirable
- Communicating HRM policies to all employees
- Helping to maintain ethical policies and socially responsible behaviour
- Managing change to the mutual advantage of individuals, groups, the enterprise, and the public

Why HR is important to all managers

- To ensure the right personnel is hired and places in the right jobs
- To reduce turnover
- To ensure that people are doing their best and improving their job performance
- To ensure that you do not waste time on useless interviews

Why HR is important to all managers (cont..)

- To ensure that the org. is not taken to court because of breaking any of the labour laws (unfair labour practices)
- Ensure equity in salaries, wages and other benefits
- To ensure that lack of training does not undermine the organizational effectiveness

CHALLENGES AND TRENDS ENHANCING THE IMPORTANCE OF HRM

- There is increased realization that the manner in which organisations conduct their HR activities will help create and sustain a competitive advantage
- Characteristics of resources with SCA -
 - Rare
 - Valuable
 - Hard to copy
 - Non substitutable - with other resources

Challenge -Uniqueness of HR

- **People posses unique features:**
 - **Ability to examine situations and make choices-psychological contract.**
 - **Emotions- preferences and attitudes**
 - **Influenced by others and groups to which they subscribe-commitment and dedication**
 - **Have talent- knowledge, skills, innovation**
 - **Deliberately withhold effort - service**
 - **Strive to overcome constraints- problem solving**
 - **Learn and grow- development**
 - **Come and go- entry and exit**

Challenge – Global Recession

- Leading to retrenchment, pay cuts, outsourcing, closure of some operations or branches , process improvement, introduction of new products/services etc;

Challenge – staff retention

- 2008 Annual Global CEO Survey – 97% of CEOs believed that access to and retention of key talent is critical to sustaining growth over the long term
- Annual Global CEO survey has reported talent retention and development as a headline priority

- 2009 Annual Global CEO Survey – 51% said access to people with the right skills was a challenge.
- 79% said they want to change their strategy for managing talent

- High competition for talents from bigger, more established industry players
- Higher pay demand from younger employees
- Staff leaving for emerging employers within the region
- emergence of employers providing more comprehensive benefits beyond pay

- More investment in people development
- High expectation of employees on cost of living adjustment resulting from the rise in inflation
- Keeping employees salaries at par with the increasing cost of living

- Intensified war on talent and challenges in managing expectations of generation Y employees
- More emphasize on work life balance and need for more flexible working schedules
- Problems in retaining generation Y employees and

- Poaching of staff by competitors and new entrants in the market
- Greater demand for improved terms of employment

Challenge – Emerging labour laws

- Labour laws,
- Human rights laws,
- Environmental laws
- There is rise of regulation and law suits relating to HR decision
- Government laws, municipal lawsuit, wrongful dismissal, retrenchment package suits are on the increase

Challenge - globalization

- This has led to:
 - Growing competitive work environment – development of world wide labour market
 - Organizations desire to reduce cost on products and service delivery
 - Organizational desire to reduce cost of production , labour costs being the most significant
 - Changing market behaviors leading to search for low cost productivity

Challenge -Technological changes, and opportunities

- More organizations are now evaluating their HR and labour costs in the context of available technologies, based on the theory that products and services can be delivery more effectively and efficiently through optimal combination of people, software, and equipment.
- E.g. use of ATMs in banks, use of internet service
- As more people use automated services and ATMs, there is less need for supervision, customers, as a result pay less in service charges and earn more interest on their money

Challenge -Need to be flexible in response to changing business environment

- There is need to be more flexible today due to the incredible pace of change in market and technology. HRM can facilitate this flexibility
- As companies focus on their core competencies, essentially what they do best and what is the essence of their business – they outsource other work, use temporary or lease employees or independent contracts to perform some specific project
- HR consultants have been instrumental in helping companies discover their core competencies and develop optimal work design and HR strategies

challenge -The changing characteristics of the work force

This includes:

- Age
- Ethnic diversity,
- Education level
- Gender
- With increasing diversity, you create the need for more diverse HRM systems and practices and increase the probability of litigation
- There is also an increased number of disabled workers entering the workforce because of

Challenge -Generation Y (80s and 90s)

- Characteristics: Techno savvy, high maintenance; optimistic, confident; self-reliant; entrepreneurial;
- Make up 25 – 75 % of an organisation workforce
- Estimates say they will form 50% of workforce by the year 2012
- Question askers – why are we doing this?
- Might not value things that you want them to value or what you provide them

What they ask for (according to employers)..

- Access to on line professional and social networks
- Flexible dress code
- Flexible working hours
- Gym membership
- Use of Mp3 players in office
- Blackberries/ipads
- Working from home
- Cafeteria style benefits

What do they want.....latest survey

- Driven by the urge to grow, get experience and succeed at an early age
- Though ready to take on tough challenges and work towards ambitious goals, would prefer to deliver in a less stressful work environment
- Career development;
- The right benefits and incentives;
- Clear work related goals;
- Challenging and interesting work;
- Coaching and mentoring.

In conclusion....

- The contemporary trends and challenges in the business environment necessitates that even greater attention be given to the human resources of an organisation

The changing face of HRM

- Operational to strategic
- Policing to partnering
- Short term to long term
- Administrative to consultative
- Internally focused to Externally focused
- Reactive to proactive
- Activity focused to solution focused