

Example answers to strategic human resource management exam



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Section A, Question 1

To what extent does the approach to Talent Management at Standard Chartered Bank display features of SHRM?

Answer:

By focusing heavily on its talent management program it can be clearly be seen that Standard Chartered Bank (SCB) is making the practice of SHRM as one of its key priorities. As can be seen from the article, the way SCB adopts its appraisal methodology is of a very strategic angle. By making it a global standard to conduct face-to-face performance appraisals every 6 months goes to show that SCB is reviewing its own performance management objectives to make sure that those objectives stay relevant and achievable, and that is a feature of SHRM. Being sensitive to different cultures by employing different appraisal methods also shows that SCB understands the importance of managers and staff identifying and dealing with real, actual problems in a way that is most familiar and effective to them. That is also another facet of SHRM as through such means, SCB is able to monitor its own competitiveness in the market.

Through appraisals, SCB also classifies their employees into 5 categories ranging from high-potentials, to critical resources, then to core contributors, followed by underachievers and finally, underperformers. By doing so they are able to identify areas in which they are lacking and act upon it.

Interestingly, as Geraldine Haley explains the classifications, it can be seen that SCB is already identifying the likely flow of talent in the bank and are taking actions to manage the flow. For example, when classifying certain employees as underperformers, Haley goes on to mention that this group of <https://assignbuster.com/example-answers-to-strategic-human-resource-management-exam/>

people do not fit the job requirements and they should be transferred to another role or be 'managed out'. Clearly, whether the bank decides to place this group of employees in another role (which fits the idea of SHRM because by placing people where they perform best clearly benefits any company), or by managing them out (thereby reducing unnecessary manpower costs or replacement with a more productive candidate), the intent behind both actions is clearly strategic in nature. The employee classification also allows the bank to understand their potential and manpower mix which is critical because, the HR department would be able to plan in advance for staff mobility or develop different programs to help develop potential of their talents to another level. So far we are able to see that SCB does indeed view its employees as a strategic key asset in churning out profits for the bank.

Yet another SHRM feature being displayed is the secrecy of employee classifications. As mentioned in the article, SCB's stance is that while they do not want certain employees to feel de-motivated and others to boast about their own performances, the whole point of the classification system is to inform managers that there might be actions required on their part to improve the situation. It is true that in SHRM, managers should not cause their staff to feel like they are being constantly monitored for poor performance because this will affect the staff's willingness to contribute towards the company. Again, either way, we see that the actions taken are closely linked to helping the organisation achieve its strategic corporate objectives. The classification system is also being used as a guide for regional

offices to strategically benchmark against one another to see where they stand.

Ever since SCB has been experiencing a high staff turnover rate among newly recruited employees, a solution in the form of a global induction program named Right Start was implemented to curb this problem and they successfully brought down the rate of employees leaving by 5% (http://www.standardchartered.com/annual-report-07/en/business_review/people.html, 2008).

SCB has also gone on to groom talents into leaders by means of providing coaching and self-help tools through various medias such as podcasts, videos and workshops. Another key concept is to allow talents to play to their strengths rather than on focusing on managing their weakness. As Hayley explains the strategic rationale on focusing on coaching talents with global roles in the bank, it is because a small 5% improvement from these top managers is enough to cause a huge positive impact on the banks earnings.

Under the Best practice view in SHRM, there are 18 Key practices of which SCB can safely said to have achieved at least 50% or more:

- Realistic job previews;
- Use of psychometric tests for selection;
- Well-developed induction training;
- Provision of extensive training for experienced employees;
- Regular appraisal;
- Regular feedback on performance from many sources;

- Individual performance-related pay;
- Profit-related bonuses;
- Flexible job descriptions;
- Multi-skilling;
- Presence of work-improvement teams;
- Presence of problem solving groups;
- Information provided on firm's business plan;
- Information provided on the firm's performance targets;
- No compulsory redundancies;
- Avoidance of voluntary redundancies;
- Commitment to single status;
- Harmonised holiday entitlement (Source: University of Sunderland).

It can be concluded that SCB is investing so much resources towards its human talent management program simply because it views its employees as human capital for the organisation and understands the wisdom in developing and managing its employees in close relation to the values and objectives of the company so that an effective workforce can be grown, and groomed to achieve the strategic objectives of the bank.

Word count (865)

1. 2 Comment on the relevance of this approach in the light of the recent banking crisis?

Answer:

The banking crisis of 2008 was largely due to the fall of banking giant, Lehman Brothers (LB). If LB had adopted SCB's view of employees as human capital in the organisation, it could have at least minimised the loss to a

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certain extent. For one, discussions between employers and staff would have been more open and problem issues could have been brought up and identified at an earlier stage. Inefficiencies in the organisation would have been uncovered if there were a global compilation of performance like in SCB, where CEOs were able to benchmark their performances against regional offices. In a way, having a certain amount of centralised control through talent management would also enable the monitoring of LB companies globally. It is interesting to note that when a German subsidiary of LB requested that top management in the USA forgo multi-million bonuses as a sign of taking responsibility for poor performance, the request was immediately struck off at the first instance. It seems that top management either did not know or did not bother to care what was going on in its other global offices.

Therefore it is important for companies to have a solid leadership and to achieve that, organisations must start to take the first step in acknowledging its employees as key assets towards enabling the company to achieve its strategic goals and objectives. Thereafter that, the company's HR policies should be drawn to include short and long term strategies that are inline with the company's corporate objectives. Companies should also consider which view the company would adopt in relation to SHRM. For example, does the company suit the Best Practice view, Best Fit view, Best Fit Integration view or Resource based approach? Each has its own strengths and weaknesses but the company has to decide which is the most compatible and allow the company to achieve its goals.

Perhaps the culture of a company should also be set as culture can deeply affect a employees willingness to contribute positively to the company. Every organisation aims to communicate its own objectives and goals to its employees so a to align the values and attitudes of the employees towards commitment in performance for the company, and in this respect, having an appropriate culture will greatly enable the employee to settle comfortably into the company and be motivated to perform well. Retaining talent is crucial in a company's route of progress and much effort should be put into talent management where employees will feel like that are an important part of a company that cherishes their contributions and seeks to develop and groom them for further growth in their career. With SHRM as the key basic guiding principle, company's should therefore seek to create a pool of talent that will steer it in the right direction, both in good times and bad.

Word Count (473)

1. 3 Why is it important to measure the impact of SHRM? What might be included in a evaluation strategy to measure the impact of SHRM in an organization to achieve strategic integration?

Answer:

It is important to measure the impact of SHRM because, firstly, strategies that are formulated into HR policies are closely linked to the strategic objectives of its organisation. The reason why this is so is because the company understands that attitudes and performances of its employees makes a significant difference towards achieving organisational goals.

Therefore when an organisation decides to employ the HR unit as a

strategically, resources are being invested to make sure the HR unit contributes towards the attainment of those objectives.

In measuring the impact of SHRM in a company, there are 18 Key practices of SHRM might be used to ascertain the degree of SHRM present in the company:

- Realistic job previews;
- Use of psychometric tests for selection;
- Well-developed induction training;
- Provision of extensive training for experienced employees;
- Regular appraisal;
- Regular feedback on performance from many sources;
- Individual performance-related pay;
- Profit-related bonuses;
- Flexible job descriptions;
- Multi-skilling;
- Presence of work-improvement teams;
- Presence of problem solving groups;
- Information provided on firm's business plan;
- Information provided on the firm's performance targets;
- No compulsory redundancies;
- Avoidance of voluntary redundancies;
- Commitment to single status;
- Harmonised holiday entitlement (Source: University of Sunderland).

Other possible measurements could be in the form of appraisals where performance management objectives are being reviewed. Through the appraisals the organisation would be able to know how it is faring against the achievement of its own targets relative to the overall performance of the employees.

Word count (287)

Section B, Question 4

4. What are the main features of a Performance Management system? In what ways can organizations ensure that such systems fulfil strategically useful outcomes (30 marks)

Answer:

4. 1 Main Features of a PMS

The main features of PMS are:

PMS consists of business-led outcomes that may be assessed against definite business objectives;

PMS is integrated with interlocking procedures and flows of information;

There is a mix of quantitative and qualitative objectives;

There is a focus on both system design and manner of implementation.

Because PMS are sensitive to process and culture, it is hence flexible;

PMS rely on a participative approach by managers and staff alike, which can align with other organisational processes, for example, employee relations, communications and decision-making processes;

Lastly PMS have a distinctive and adaptable quality of being people and systems-oriented (Source: University of Sunderland).

There are 6 other features of PMS that links it to the overall business strategy of a company which might also guide organisations in ensuring strategic outcomes are met:

Objective setting;

Ongoing review of objectives;

The development of personal improvement plans linked to training and development;

Formal appraisal and feedback;

Pay review;

A competence-based organisational capability review (Source: University of Sunderland).

4. 2 Ensuring PMS Fulfils Strategically Useful Outcomes

The best way to ensure that PMS is able to fulfil strategically useful outcomes is for the organisation to be involved in the setting of performance objectives and thereafter measure those objectives. When setting clearly defined

performance management objectives organisations can gear the scope and nature of the objectives to reflect the organisation's own corporate goals. These performance objectives should also be linked closely to the individual employees as well as the organisation's capability resources. When setting objectives, coverage should include competence and skill development, ability in meeting operational targets, and creating a suitable corporate culture. Objectives are generally defined into 3 categories: productivity and output related, job-related and person-related.

For productivity and output related objectives, these are a measure of quantifiable output targets like:

Cost reduction

Achieving sales quota

Meeting production volumes.

For job related targets, these involve meeting the main objectives of the job laid down in its description according to the specified level of competence:

Achieving main responsibilities and accountability.

Meeting tasks as described in the job description.

Meeting the obligations and service relationships to internal and external customers.

For person related objectives, these affect the behavioural outcomes of the person performing his job, such as sharing knowledge and ideas with co-

workers. Organisations recognise the importance of linking organisational culture with person-related objectives as it can help to bring about a positive change in the organisation's culture. For instance, an organisation that wants to have a culture that is collaborative in nature will set objectives on employees and measure an employee's research report on the number of references made to other employees' work or the number contributions made by the employee's colleagues in the report. This type of objective will change a person behaviourally so that he or she is able to meet the performance objectives.

As organisations are beginning to shift away from individualistic performance objectives such financial goals and moving towards objectives which links the workforce to the corporate objectives or wider environment such as quality and effectiveness of business processes, other measurements are being introduced to maximise the potential and skill of the workforce through a commitment-oriented strategy. Thus, organisations have also realised that to engage the wider environment, they have to identify the relationship between the 3 key stakeholders an the organisation:

Investors who require return on their investment through dividends;

Customers who require quality and service for which they pay;

And employees who require a healthy and rewarding working environment that provides job security (Source: University of Sunderland).

Now that the inter-relationship has been identified, organisations are better able to communicate expected levels of competence from employees and

will also be able to appropriately empower staff to deal with activities as a result of their integration. Lynch and Cross (1995), created a model that shows this relationship (see Figure 4. A). This model also identifies the broad measures and integration of objectives at each individual level.

Figure 4. A shows The Performance Pyramid from Lynch RS and Cross (1995) (Source: University of Sunderland)

4. 2. 1 Appraisal Systems

As the link between objectives and organisational resources are important, it must therefore be integrated with appraisal systems. Appraisals do the job of reviewing the performance management objectives, and it traditionally occurs annually between the manager and staff. However, as the need for objectives to stay relevant and achievable all the time, reviews of the objectives are beginning to occur more regularly. Hence it can be said that regular reviews also encourages the building of relationship and the occurrence of coaching through such regular discussions. In the design of appraisal schemes, there are 2 types of orientation schemes that emerge: the control orientation and the developmental orientation.

In the control orientation approach, it is always assumed in a negative light that a senior entity in the organisation decides the goals, targets, objectives and rewards for the employees to achieve. This results in employees feeling insecure as they feel that they are being constantly monitored and may lead to a breakdown in commitment. Often, when adjustments are introduced to ease such worries, the appraisal scheme becomes ineffective as manager do

not address real issues which may cause a loss in motivation or damage in <https://assignbuster.com/example-answers-to-strategic-human-resource-management-exam/>

relations between the manager and employee. Standardised controls are put in place so as to maintain consistency and equal treatment for all, however it sacrifices flexibility in the process. The level of impact is low on performance with the exception of a few existing high performers. Thus, this approach is effective when targets are clear and staff are used to it. The emphasis is not so much on enhancing performance through feedback and motivation but more on the management's authority over the employees.

In the case of the developmental approach, the manager is not in control whereas employees are the ones who take the initiative to address uncertainties in wanting to know how to improve themselves. Employees want to be helped and supported through problems and they learn through failures and success. The strengths in this approach include less resistance between the manager and staff, and being able to handle problems in an open way. Problems can also be dealt with on a more objective basis without souring relationships. Employees are also given high trust in their integrity. However, the weaknesses with this approach include less visible outcomes being produced and the manager has to take on a more consultative or 'counsellor' role that they might not be able to perform well in.

4. 2. 2 Types of Appraisals

There are a few types of appraisals which organisations may choose to adopt including the, self-appraisal, top-down appraisal, peer appraisal and multi-directional appraisal.

Top-down appraisals are traditional and feedback is gathered from the staff while objectives come only from the top. The weaknesses of this type of <https://assignbuster.com/example-answers-to-strategic-human-resource-management-exam/>

appraisal are that too much emphasis is being placed on traditional organisational hierarchies. Favouritism might also be prevalent and employees might not have full knowledge in structures where managers possess a wide span of control.

Self-appraisal methods are hardly used. It gives the employees more ownership and a much higher degree of participation in the appraisal scheme. Managers adopt a more supportive and advisory role where they engage in discussions with the staff on setting of objectives.

In the upward appraisal model feedback is given from the bottom to top. Employees are often asked to provide such feedback anonymously. Organisations that use this method recognise the need to provide more effective working systems for employees to work more efficiently.

In the peer appraisal model, members of the same team are being asked to appraise one another. There may be sensitivities involved when using this method as members might show favouritism to particular members or dislike towards certain members might be the reason for poor rating given.

In contrast to the peer appraisal method, multi-directional appraisals set up to obtain feedback from the outside of the team and it often also includes gathering feedback externally from customers. Its key strength is its being able to overcome the lack of knowledge from a single appraiser as it gathers feedback from many sources. However its biggest weakness lies in the lack of control over hostile ratings being given.

Thus appraisals are also a tool to ensure that performance objectives meet strategically useful outcomes.

Word count (1409)

Section B, Question 5

5. Why are reward management systems critical to SHRM? How can organizations develop reward systems strategically? (30 marks)

Answer:

5. 1 Why Reward Management Systems are Critical to SHRM

In strategic human resource management (SHRM), strategies that are being implemented into a company's human resource policies are closely connected with a company's main adopted strategy in order for it to aid in achieving company objectives. SHRM does so by means of recruiting, developing, maintaining and retaining an efficient, productive workforce. As employees make up a company's workforce, they should then be regarded as key assets in a company. Reward management systems are therefore critical to SHRM because they are used to reward and compensate employees in manners that impact employees positively for the company. For example, well-developed reward management systems uses rewards to motivate employees to grow and develop their potential, thereby increasing the quality of efforts contributed towards the company.

Rewards and compensation systems are also critically used in aligning the culture, objectives and philosophies of the company with efforts of the employees, this allows employees to identify themselves as part of the

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company and thus strengthen their loyalty and commitment towards the company and its objectives (Sherman et al., 1998). In today's competitive environment where companies compete for talent and expertise, rewards play an important role in both the recruitment of talent and retention of long serving employees who have difficult-to-source tacit knowledge in their field of expertise. Having a flexible reward management system also means that a company is able harness other forms employment, for example, hiring of part-timers with relevant experience to temporarily fill in during short-term projects.

5. 2 Developing a Reward System Strategically

Rewards systems in companies practicing SHRM must obviously be strategic in nature. According to Lawler (1984), there are nine points to consider when making strategic decisions in developing reward systems in companies. The nine points are termed as follows:

Base of rewards.

Performance and Incentivisation - scope for progression.

Market position.

Internal versus External comparison.

Centralised versus de-centralised reward.

Degree of pay hierarchy.

Reward Mix.

Process issues.

Reward systems - consequences/integration.

5. 2. 1 Base of Rewards

Salaries can be based on 3 options:

The type of job a person undertakes.

The person's contribution in the job.

The knowledge and skill level people possess within the job.

The 1st option is to pay based on the growth and development an individual undertaking a job. This is typically done through internally comparing a particular job with other jobs within the company using a job evaluation which measures the tasks that the job is required to perform. External comparisons could be used, whereby companies compare the wages offered by other companies against their own. Job based rewards are typically found in larger organisations where job and pay equity is predominant; an example would be jobs in the public service sector where job grading is used. The 2nd option is to pay based on the individual's performance within his or her job and is commonly implemented in cases where the jobs are small in number or job scopes that are distinct and pay has to be individual. Performance based pay is used to balance job demands and contributions made in order to motivate the individual to enhance performance. The 3rd option is to pay based on the need to acquire new skills and knowledge so as to enable organisations to meet the new market challenges.

5. 2. 2 Performance and Incentivisation – scope for progression.

This point considers the many types and ways of using incentives, whether as a part of an individual's salary or an additional portion. However, the main dilemma lies in reconciling strategic objectives with the use of suitable incentives to motivate and enhance employee' performance and commitment to the company. Companies will have to decide the forms in which incentives will take and how it will be distributed as well as the positive and negative repercussions it might bring to the company or its employees. For example, substituting commission for a fixed bonus payout to sales employees might cause low-performers to be happy, while high-performers might become disgruntled they could have earned more on a commission scheme.

5. 2. 3 Market Position

As labour markets are vulnerable to the economy, market trends and political influences, radical changes may happen anytime within the labour market. For example, if there is a labour shortage in certain industries, organisations would be forced to pay a higher wage to acquire the labour needed. As such, organisations are finding it difficult to sustain an internal sense of fairness that comes from a formal measurement of job equity within internal wage structures. Therefore, reward strategies need to be formulated to answer to such external uncertainties, and also be flexible (if it is not already so) enough to accommodate different wage schemes and levels when required.

5. 2. 4 Internal versus External comparison

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As reward systems are key to hiring, retaining and developing employees, it is important for a company to benchmark its reward policies against the external and internal environment. Hence, it is important for companies to understand the logic behind market rates of pay and benefit and to know where and how to collect data required to conduct pay and benefits surveys. These surveys are often conducted so that companies are able to rely on the information to make adjustments to current pay and benefit rates, thus staying competitive in their pay and benefit policies. Companies should also be able to present data in a meaningful manner so that proper analysis can take place.

Job evaluation (JE) is defined as a systematic process by which relative worth of jobs are determined so as to establish which jobs will be paid more over others in the organisation (Sherman et al., 1998). The key features of JE are:

A process which compares the relationships between jobs based on demand placed on employees.

A process of judgement made by understanding of job descriptions and roles required to perform the job.

A process of analysis after generating point factors from judgements, to enable job ranking.

A process of structuring whereby job descriptions are formulated, problem solving, identifying key factors equivalent to job knowledge, and more. Score formulation also takes place to establish ranking, building wage structures and create job-grading systems.

The important decisions to make in a JE are the selection of appropriate factors and their levels, as well as how value of factors will be expressed.

5. 2. 5 Centralised versus de-centralised reward

Organisations often have to struggle to decide if reward systems should be managed in a centralised or de-centralised manner. Centralised controlling is tight and usually means a standardised rate of wage increment. This may cause employees to be less motivated and innovative in their contribution which becomes unhealthy for the company, this holds true for employees who belong to a business unit selling a varied number of products and services. In this case, it might be better having a de-centralised control of rewards system and empower managers with discretionary authority to reward employees accordingly, hence boosting morale.

5. 2. 6 Degree of Pay Hierarchy

Pay hierarchies exists in organisations and reward systems are dependent on them to a large extent. Pay hierarchies show the distinct difference in power and often reflect career progression. However, organisations are gradually moving away from such distinct hierarchies in pay systems by formulating wage structures that encourages wage overlap and opportunities for increment. Graded wage structures are commonly used and though not all are exactly the same, they share common features such as:

A salary grade allocated to a job based on an individual's contribution, the labour market and the degree of complexity present in a job.

Salary bands or grade in which employees belong to and have to gain promotion in order to progress on to a higher salary band. Each band consists of at least minimum entry point, market or mid-point and a maximum point that employees can achieve.

Salary bands are associated with each other; usually the maximum point of a starting salary band is the commencement of the next salary band. The degree of overlap will have to be determined by the organisation.

As employees move up along the band, organisations will have to decide if employees move up to fixed points along the bands or should employees be allowed to skip certain points and progress at a faster rate instead.

5. 2. 7 Reward Mix

Although pay is often identified to be the key ingredient in a reward mix, other benefits such as free annual health screening, pension schemes, certified-skill upgrades, use of company vehicles, etc, are just as useful in rewarding employees. When creating a reward mix, the challenge for companies is to identify the strategic reasons for having each benefit in the reward mix and their costs to the company.

5. 2. 8 Process Issues

In the discussion of process issues, the 1st strategic issue to be considered is communication and transparency. As communicating pay objectives to employees clearly is important in achieving positive human resource results, the existing culture of companies usually decides how open the dialogs are.

Traditional companies adopt a closed system and keep salary ranges
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unknown for purposes of pay review. Other companies with open systems often publicise the salary structure and criteria for which salary increment can occur. Open systems tend to instil confidence and fairness into employees as decision-making becomes more transparent and criteria are made known. The 2nd strategic issue concerns with employees' degree of involvement in pay decisions. A company aiming to achieve a team-based operating culture and high employee involvement in all aspect of human resource management should consider allowing employees to be involved in determination of job salaries too. Companies adopting close-based systems usually applies HR policies onto its employees and ultimately, companies have to decide whether leveraging highly on employees' trust and commitment or otherwise, is more suited to the company's culture.

5. 2. 9 Reward Systems - consequences/integration

As HR objectives change over time, so should reward objectives because rewards should be integrated into HR systems. And if the objectives are inline, then the integration between rewards and HR systems will serve well to make a positive impact on employees who in turn stays committed to churn out more positive contributions for the company.

Word count (1700)