Human Resources Training and Individual Development

Strategic Training
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Overview
- Business strategy
- Does HRM matter?
- High performance work practices/systems
- Training and HPWP
- Influences on training
  - Organizational characteristics
  - Business strategy
  - HRM strategy
- Example: Southwest Airlines
- Training models

Business Strategy
- What is a Business Strategy?
- The strategy influences how the company uses:
  - physical capital
  - financial capital
  - human capital
- The business strategy helps direct the company’s activities to reach specific goals.

Decisions a Company Must Make about How to Compete to Reach Its Goals
- Where to compete?
  - In what markets will we compete?
- How to compete?
  - On what outcome or differentiating characteristic will we compete?
- With what will we compete?
  - What resources will allow us to beat the competition?
  - How will we acquire, develop, and deploy those resources to compete?

Strategy and Training
- What influences does strategy have on training?
- How does strategy impacts the importance placed of training within HR?
- But first, does HRM, and training for that matter, make a difference?

Does Human Resource Management Matter?
Why Does Human Resource Management Matter?

- HRM matters if it can add “value” to the firm.
- Can good HR policies add value?
  - Southwest
- How about bad HR policies
  - “The Apple Story”

Why Does HR Add Value?

- Because, relative to other resources held by a firm, good human resource management practices are particularly rare and inimitable
- Are knowledge, intellectual capital and know-how easily imitable?

Is There Any Proof?

- Huselid (1995) studied high performance work practices in 968 firms
  - 1 standard deviation (SD) increase in such practices equals
    - $18,641 increase in market value/per employee
    - $3,814 increase in profits/per employee
- Huselid and Becker (1997) – 702 firms
  - “A one standard deviation improvement in the human resources system was associated with an increase in shareholder wealth of $41,000 per employee.”

Is There Any Proof?

  - Studied the survival of 136 firms who initiated an IPO in 1988
  - Examined company mission statements and organizational documents as a means of rating the value placed on OB practices
  - By 1993, only 60% of the firms still existed. Firms that valued HR practices had a 19% higher survival rate

Training and High-Performance Systems

- Pfeffer and Veiga (1999):
  - Are training levels adequate in the US?
  - Specialist vs. generalist skills
  - High-performance work systems rely on front-line employees to identify opportunities and solve problems

Implementing High-Performance Systems

- Pfeffer and Veiga (1999):
  - It is difficult to calculate the return on the HR investment, relative to investments in technology, equipment, etc.
  - HR practices have to be improved on a systemic basis
  - Improving HR practices is a long-term process
The Roles and Duties of Managers in Companies That Use High-Performance Work Practices

- Managing Alignment
- Encouraging Continuous Learning
- Coordinating Activities
- Facilitating Decision-Making Process
- Creating and Maintaining Trust

Implications for Training

- What influences training?
  - Organizational characteristics
  - Business strategy
  - Human Resources strategy

Organizational Characteristics That Influence Training

- Integration of Business Units
- Global Presence
- Business Conditions

Implications of Business Strategy for Training

- Business Strategy:
  - Concentration
  - Internal Growth
  - External Growth
  - Disinvestment
- Strategy influences focus of training
  - current vs. future job skills
  - reactionary vs. proactive
  - job specific vs. team, unit of division
  - all vs. specific groups
  - training vs. other HR practices

HRM Strategy: Influence on Training

- The type of training and resources devoted to training are mainly influenced by the strategy adopted for two HRM practices:
  - Staffing
  - Human Resource Planning

Staffing Strategy Influence on Training

- Two aspects of a company’s staffing strategy influence training:
  - The criteria used to make promotion and assignment decisions
  - The places where the company prefers to obtain human resources to fill open positions
HR Planning Influence on Training

• What is HR planning?
• How does HR planning relate to, and influence, training?

The Broadening of Training’s Role

- Focus on Teaching Skills and Knowledge
- Link Training to Business Needs
- Use Training to Create and Share Knowledge

Example: Southwest Airlines

Southwest Airlines

• Cost Leadership strategy
  - Level of service vs. managing costs
  - Every employee understands from day one that Southwest is built on low costs

Supporting Cost Leadership

• Training
  - Train workers to understand what drives costs so they can make suggestions to improve them (instead of having to ask a supervisor what to do)

Supporting Cost Leadership

• Recruiting and Selection
  - Target self-motivated people who naturally work hard and fast
  - Involve employees & customers in recruitment and selection to target good fits
  - Train employees at all levels to recruit and select!
Supporting Cost Leadership

- Compensation
  - Give departments quarterly bonuses for staying below budgets. Also give bonuses for suggestions that improve cost performance.
  - Train on cost drivers, suggestion system, and how to achieve bonuses
  - Use stock options so employees feel like owners (they’ll look out for the company)
  - Train on the relationship between certain types of behaviors and how they influence the bottom line and ultimately stock price

Models of Organizing the Training Department

Faculty Model

Customer Model

Matrix Model

Corporate University Model

Virtual Model

The Customer Model

The Matrix Model
The Corporate University Model

Virtual Training Organizations

• Virtual training organizations operate according to three principles:
  – Employees (not the company) have primary responsibility for learning
  – The most effective learning takes place on the job, not in the classroom
  – For training to translate into improved job performance, the manager-employee relationship (not employee-trainer relationship) is critical.

Next Time

• Needs assessment
  – Noe, Chapter 3