

10.9: Summary

Key Terms

360 assessment

An evaluation tool that collects feedback from manager, peers, direct reports, and customers.

9-box

A matrix tool used to evaluate an organization's talent pool based on performance and potential factors.

Competencies

A set of defined behaviors that an organization might utilize to define standards for success.

Employee life cycle

The various stages of engagement of an employee—attraction, recruitment, onboarding, development, retention, and separation.

Employer-employee relationship

The employment relationship; the legal link between employers and employees that exists when a person performs work or services under specific conditions in return for payment.

Human capital

The skills, knowledge, and experience of an individual or group and that value to an organization.

Human resource management

The management of people within organizations, focusing on the touchpoints of the employee life cycle.

Human resources compliance

The HR role to ensure adherence to laws and regulations that govern the employment relationship.

Merit matrix

A calculation table that provides a framework for merit increases based on performance levels.

Pay-for-performance model

The process and structure for tying individual performance levels to rewards levels

Performance management

The process by which an organization ensures that its overall goals are being met by evaluating the performance of individuals within that organization.

Society for Human Resource Management

The world's largest HR professional society, with more than 285,000 members in more than 165 countries. It is a leading provider of resources serving the needs of HR professionals.

Succession planning

The process of identifying and developing new leaders and high-potential employees to replace current employees at a future time.

Talent acquisition

The process of finding and acquiring skilled candidates for employment within a company; it generally refers to a long-term view of building talent pipelines rather than short-term recruitment.

Talent development

Integrated HR processes that are created to attract, develop, motivate, and retain employees.

Talent review calibration process

The meeting in which an organization's 9-box matrix is reviewed and discussed, with input and sharing from organizational leadership.

Total rewards strategy

As coined by World at Work, includes compensation, benefits, work-life effectiveness, recognition, performance management, and talent development.

Training, stretch assignments, individual assessments, individual development plans

These are tools that may be used in talent development:

Training—a forum for learning in person or online

Stretch assignments—challenge roles for high-potential employees

Individual assessments—personality and work style inventories of employees

Individual development plans—documents that highlight an individual employee's opportunities for growth and path of action

War for talent

Coined by McKinsey & Company in 1997, it refers to the increasing competition for recruiting and retaining talented employees.

Summary of Learning Outcomes

10.2 An Introduction to Human Resource Management

1. What has been the evolution of human resource management over the years, and what is the current value it provides to an organization?

Human resource management began in its first “wave” as a primarily compliance-type function, with the HR staff charged with enforcing compliance of employees and running the ongoing administrative processes. In the second wave, HR became focused on the design of HR practice areas, which could be built upon best-practice models. Wave 3 of HR brought with it the concept that HR should be a true partner to the business and should support the business strategy through its programs and services. Finally, in the fourth wave, HR is still a partner to the business, but it looks outside of the business to customers, investors, and communities to see how it can be competitive in terms of customer share, investor confidence, and community reputation.

Some key areas that HR supports within the employee life cycle process include human resources compliance, employee selection and hiring, performance management, compensation rewards, and talent development and succession planning.

10.3 Human Resource Management and Compliance

2. How does the human resources compliance role of HR provide value to a company?

Human resources help protect the company and its employees to ensure that they are adhering to the numerous regulations and laws that govern the employment relationship. The impact of noncompliance can be very costly and can be in the form of financial, legal, or reputational cost. Some of the key legislation that HR manages compliance around includes the Fair Labor Standards Act (FLSA), the Age Discrimination in Employment Act (ADEA), the Americans with Disabilities Act (ADA), and the Family and Medical Leave Act (FMLA), among others.

Some of the best practices for informing and holding employees accountable are to provide education and training to explain the regulations, to provide reference documentation for guidance with the regulations, and to schedule regular compliance audits to ensure that processes are being followed. Scheduling regular internal HR audits help the organization plan and feel comfortable with its level of preparedness and illustrates the value that a strong HR group can bring to the organization.

10.4 Performance Management

3. How do performance management practices impact company performance?

Performance management is a critical business process that the human resources group manages for the business. Performance management aligns the work of individual groups with the overall business objectives and enables the business to work toward its goals. Performance management should also help the company differentiate between different levels of employee performance through the management of feedback and a rewards structure.

Performance management also allows a company to identify its poor performers and provides a consistent process for tracking and managing poor performance in a manner that is fair and consistent with the law. There has been much discussion of best practices for a performance management process beyond a formal, annual process that often feels cumbersome to the business. However formal or informal, human resource management needs to ensure that the process helps to differentiate different levels of performance, manages the flow of feedback, and is consistent and fair for all employees.

10.5 Influencing Employee Performance and Motivation

4. How do companies use rewards strategies to influence employee performance and motivation?

Companies use rewards strategies to influence employee performance and motivation by differentiating between the various levels of performance. This strategy is called pay for performance, and it ties the employee's performance level to a consistent framework of rewards at each level. Research indicates that the primary reason that companies implement pay-for-performance is to be able to recognize and reward their high performers.

To implement a pay-for-performance structure, HR and the organization first need to define a compensation philosophy, then perform a review of the financial implications of such a system. Gaps in the current system must be identified, and compensation practices should be updated in accordance with the determined pay-for-performance design. Finally, communication and training are key to helping employees understand the context and philosophy, as well as the specific methodology.

10.6 Building and Organization for the Future

5. What is talent acquisition, and how can it create a competitive advantage for a company?

Human resource management plays the important role of managing the talent processes for an organization, and it is critical in the process of acquiring talent from the outside. Talent acquisition is the process of determining what roles are still needed in the organization, where to find people, and whom to hire. Hiring top talent is a key source of competitive advantage for a company, and not all organizations are good at doing it.

The impact of hiring is especially magnified when you talk about top leadership talent. The right leadership candidate can make all the difference in an organization's growth, performance, and trajectory over the years. HR should work with the business to assess the needs and specifics of the job, develop a pool of candidates, and then assess candidates for the right person to bring into the organization.

10.7 Talent Development and Succession Planning

6. What are the benefits of talent development and succession planning?

Talent development and succession planning processes provide organizations with the systems needed to assess and develop employees and to make the appropriate decisions on their internal movement and development. One important talent development process involves a talent review, in which leadership discusses the employees in its groups in terms of their performance and potential. Performance is based on current performance management evaluations of the current role. Potential is based on behavioral indications that would predict future high performance and promotability in an organization. There is then a discussion on the follow-up actions and development plans for the employees based on where they fall in the performance/potential matrix. The benefit of this process is that the organization gains a better understanding of where the top talent is within the organization and can make plans to manage the development of that talent.

Another key process for managing talent is succession planning. In this process, leadership and HR meet to identify leadership roles and other critical roles in the organization, and then they discuss a potential pipeline of internal and external successor candidates at different levels of readiness for the role. The output of succession planning is that an organization gets to understand the depth of its talent bench and knows the gap areas where it may need to focus on developing or acquiring additional candidates.

? Chapter Review Questions

1. What are the four “waves” of the human resource management evolution?
2. What are some of the key regulations that human resources must manage compliance with?
3. What are some of the unintended consequences of a forced ranking system?
4. What are some of the performance management challenges that must be addressed, no matter what the system?
5. Why are many companies interested in moving to a pay-for-performance strategy?
6. What are the main process steps for implementing pay for performance?
7. What are some best practices for recruiting new leadership candidates?
8. Describe the steps of a talent review session.
9. What is the difference between performance and potential?
10. How can you tell if a candidate has potential?

Management Skills Application Exercises

1. How has human resource management’s evolution over the years helped to make it a better partner to the business? In what way would you expect HRM to continue to evolve over the years?
2. Do you believe that a formal, annual performance management process is necessary to help an organization reach its goals? Why or why not? What are the minimum process requirements that must be met to successfully evaluate performance?
3. Is it possible for an organization to reward people fairly without implementing a pay-for-performance process? Why or why not? Do you see any pitfalls to a pay-for-performance process?
4. How does the “war for talent” impact talent acquisition processes? How can HR be more successful working with the business to navigate the competitive talent landscape?
5. What are the benefits of having talent review calibration processes? What is the downside of the process? Should an organization let employees know what their talent review “rating” is? Why or why not?

Managerial Decision Exercises

1. You have been hired as a new Finance VP, and you oversee a team of almost 30 people. Your HR manager has recently informed you that there have been several employee relations in your group in the recent past, and you are concerned about the level of knowledge that your management team has around dealing with these issues. What could you do to close the gap in knowledge and mitigate the risk of issues in your group?
2. Your company has decided to drop its formal, annual performance management process and move to a system based on ongoing feedback and communication with employees. You are concerned because you have always been careful to differentiate your employees by performance level, and you’re worried that this will hurt your stronger employees. How can you ensure that your feedback and communication with employees provides performance management, despite the lack of a formal system?
3. Your company has recently implemented a pay-for-performance model for compensation. This worries you because you know that your employees will be even more upset with their performance ratings if they know that they are tied to compensation. What actions can you take to start to prepare for this change?
4. You are the director of an engineering organization and have been fighting the “war for talent” for a while. It seems that whenever you have a role vacancy, you let HR know, but it takes forever to find someone—and the candidate often turns down the job. What are some ways to better partner with HR to get ahead of the curve for the next time?
5. You are the VP of a line of business at an international manufacturing company. You and several of your long-time colleagues will be retiring over the next few years, and you need to start thinking about talent and succession planning. You are going into a talent review discussion next week, and you’re realizing that you have a dearth of potential within your organization. What are some actions you (and HR) can take now to ensure that your business unit isn’t floundering when you leave for retirement?

Critical Thinking Case

Zappos, Holacracy, and Human Resource Management

In 2013, Zappos was performing well under the leadership of Tony Hsieh and was getting ready to take on a new challenge that would, among other things, push the boundaries of traditional human resource management. Although business was booming, Tony Hsieh was not a man who wanted to be in status quo mode for too long, so he set out to implement an organizational and cultural change called a holacracy. Zappos was the largest and best known of the 300 companies worldwide that had adopted holacracy—a

new form of hierarchy that is a “flexible, self-governing structure, where there are no fixed jobs but simply temporary functional roles.”

In a holacracy, the main unit is called the “circle,” a distinct yet fluid team. Leadership became similarly fluid with the changing circles. Circles are designed to meet certain goals and are created and disbanded as project needs change. The intent is that people self-select to work on projects that they want to work on and that they have the skills for. Tony also removed all previous titles. The role of manager went away and was replaced with three roles: “lead links” would focus on guiding the work in the circles; “mentors” would work on employee growth and development; and “compensation appraisers” would work on determining employees’ salaries. In 2015, he decided to further break down the divisions between many of the functions, changing them all to business-centric circles. There were changes to almost every human resource management structure that you can think of, and there were quite a few growing pains within the organization. Zappos began to look at employee pay, and Holacracy seemed to have a steep learning curve for many people, even though a “constitution” was created to provide guidance. Zappos was also facing 14% attrition, as some of the rapid and excessive changes were wearing on employees. Tony was a visionary, but for a lot of people, it was hard to catch up and see the same vision.

From a human resource management perspective, there could be some positive attributes of a holacracy if it were to succeed—such as building engagement and helping to build talent and skill sets. There were also a few risks that needed to be dealt with carefully. When you create an organization in which people don’t have set teams or projects but instead determine what they want to work on, one of the big challenges is going to be determining the level and nature of their role, as well as the compensation for that role. If holacracy is compared to a consulting organization, in which consultants are brought into different projects with different requirements, it is critical to first determine the level of their consultant role (based on their education, skills, experience, etc.) so that they can properly move from project to project yet maintain a role of a certain level. That level is then tied to a specific pay scale, so the same consultant will receive the same salary no matter which project he is on. If that consultant is “on the bench” or not placed on a project (or self-placed, in the case of holacracy), then after a certain defined period, that consultant may be at risk of termination.

Holacracy is, in some ways, a challenging concept to think about, and self-management may not be able to work in all environments. A company that is implementing a holacracy may find that they are able to master the process of self-selection of work in the “circles.” The “task” part of the equation may not be much of an issue once people figure out how to navigate the circles. However, the “people” part of the equation may need some work. The greatest challenge may lie in the structures and processes of human resource management that ultimately define the employer-employee relationship.

Critical Thinking Questions

1. What are some of the human resource management processes that might be enhanced by a holacracy? What processes will be challenged?
2. Do you think that a holacracy can be compared with a consulting company? How are they similar, and how are they different? Can you think of work areas or industries in which holacracy would be very difficult to implement?

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