

# Human Resources Training and Individual Development

Strategic Training  
January 21, 2003

## Overview

- Business strategy
- Does HRM matter?
- High performance work practices/systems
- Training and HPWPs
- 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?
  - Cost? Quality? Reliability? Delivery? Innovativeness?
- 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?

- Welbourne & Andrews (1996):
  - 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)

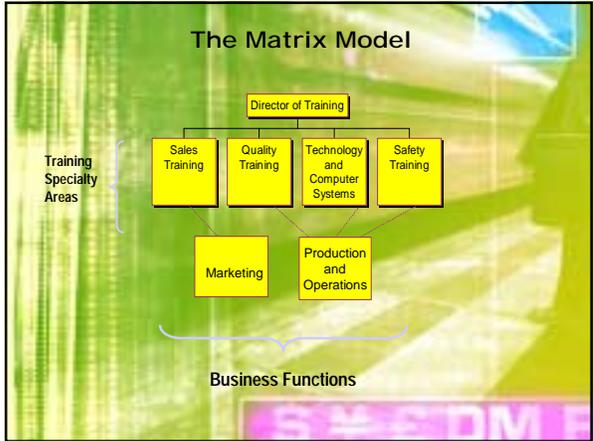
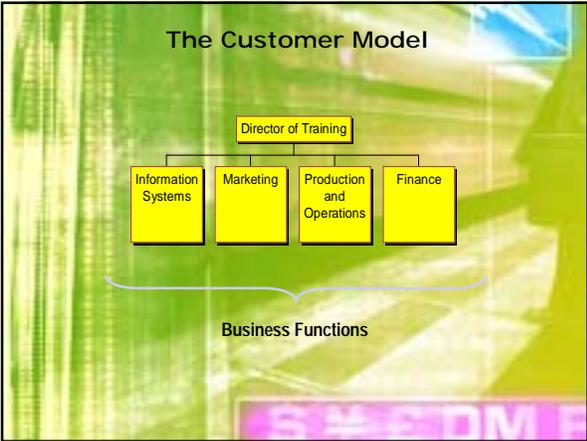
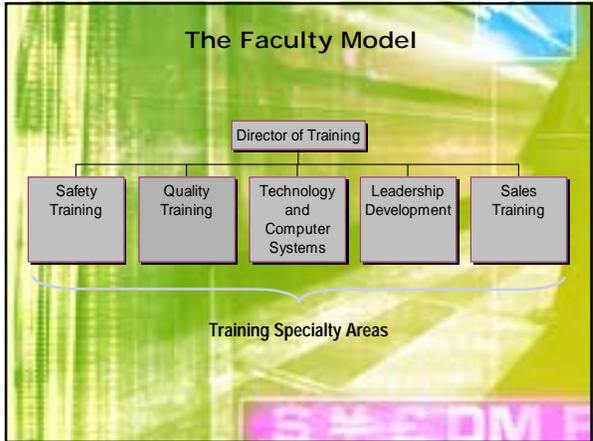
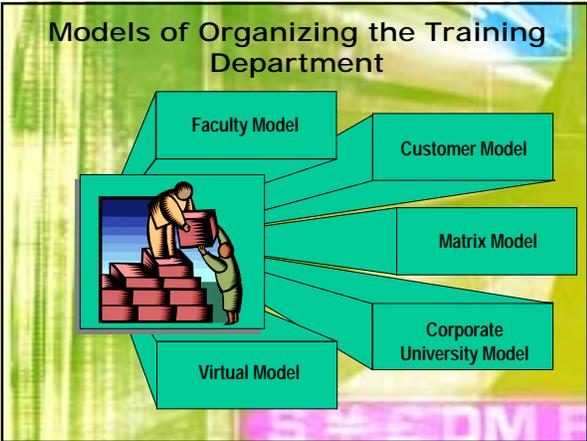
## Supporting Cost Leadership

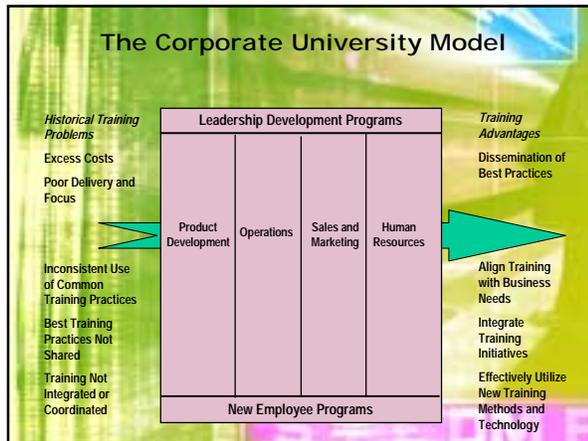
- Recruiting and Selection
  - Target self-motivated people who naturally work hard and fast
  - Involve employees & customers in recruitment and selection to target good fits
    - *Train employees at all levels to recruit and select!*

### 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





- ### 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
    - Zemke (1998)