“Quality in T&D: A Strategic HR Function of Companies Competitiveness”

By

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Objectives

1. Review the core functions of strategic HRM in global economy

2. Introduce an effective tool in managing the human capital development process and its impact on bottom line - ISO 10015

3. Reflect on the challenges facing HR function in making transition from administrative orientation to strategic and quality orientation
The business environment today is more complex and challenging

- Fast changing markets (innovation, price, new entrants)
- Continued Technological development
- Networked organisations and relations
- Changes in paradigm
Achieving sustainable competitive advantage

- A company has to have the capacity and capability to
  - Tap its special skills/core competencies and respond to customer’s needs and competitor’s moves
  - Sustain its core competencies

Premium on Human Capital
"Access to competencies, rather than access to cash, is the most critical driver of growth."

C.K. Prahalad

Management educator and author, “Competing for the future”, “Leading the Revolution” with Hamel
HR Management

a continuous *process* to ensure the appropriate knowledge, skills and behaviours available in the organization in order to satisfy the needs and goals of the business
Strategic Function of HR

- **Acquire** human capital through effective recruitment
- **Retain** human capital through effective rewards (compensation, career development and other means)
- **Maintain** quality of human capital through effective training
- **Increase** value of human capital through effective learning and development
HR as Strategic Partner

- Is to identify the HR practice that make the business strategy happen
- Is to determine the strengths and weaknesses of the organisation through organisational diagnosis
- Is to quantify the HR interventions in tangible terms (e.g., cost-benefit analysis, reporting on human assets on the balance sheets)
Challenges?

Training as a strategic action

- To establish new deliverables
- To sustain strong partnerships with both internal and external customers
- To see the “big pictures” and to deploy resources to address the big picture
Human Capital Management: CFO’s perspective

- Survey in 2002 by Mercer HR Consulting
- 180 responses, representing companies from the West
- 69% with annual revenue over 1 billion
- 71% with international operations
- On average, companies spend 36% of revenues on human capital expenses
Effect of Human Capital on Business Outcomes

Mercer HR Consulting, 2002

- Customer Satisfaction
- Success in integrating acquisition
- Growth
- Profitability
- Innovation/Prod Dev
- Speed to Market
- Revenue per employee

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
How important is the value of human capital in determining the price of acquisition?
HR Function - Cost Centre? Or Strategic Partner?

Mercer HR Consulting, 2002

- Mostly as a cost centre: 9%
- Mainly as a cost centre: 33%
- Somewhat more as a cost centre: 19%
- Somewhat more as a strategic partner: 28%
- Mainly as a strategic partner: 11%
ROI in Human Capital

To what extent do you know the return on your aggregate investments in human capital?

- To a great extent: 14%
- To a considerable extent: 40%
- To a moderate extent: 30%
- To a minimum extent: 2%
- Not at all: 14%

Mercer HR Consulting, 2002
Business Unusual

Hard Data,

Soft issues!
### Training Evaluation (Phillips’ model)

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<th>Levels</th>
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<tr>
<td>1. Reaction, Satisfaction, and Planned Action</td>
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<td>2. Learning</td>
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<td>3. Application and Implementation</td>
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<td>4. Business Impact</td>
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<td>5. Return on Investment</td>
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### Evaluation Frameworks Compared to Cost-Benefit Analysis

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<th>Kirkpatrick’s</th>
<th>Phillips’</th>
<th>CBA</th>
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<td><strong>ROI</strong></td>
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<td><strong>Effect of Programme</strong></td>
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<td><strong>Determining Cost</strong></td>
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<td><strong>Quantify Benefits</strong></td>
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<td><strong>Intangible Benefits</strong></td>
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ROI: The Basics

Comparing COSTS & BENEFITS to arrive at:

1. **BENEFIT TO COST RATIO** = \( \frac{\text{Annual Benefit}}{\text{Annual Cost}} \)

2. **RETURN ON (TRAINING) INVESTMENT (%)** = \( \frac{\text{Net Annual Benefit}}{\text{Annual Cost}} \times 100 \)
Why a specific training management system?

- To standardise the process
- To reduce variation
- To collect quantifiable ("hard") data
- To increase the credibility of "L&D" aspect of HR function
- To ensure the "business objectives" being served by "L&D" investment
The Comprehensive Solution!

ISO 10015!!

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What is ISO 10015?

The ISO 10015 Standard is a quality assurance standard for training. Its function is to ensure the impact and the effectiveness of training systems and programmes in your organisation.
International meetings took place in:

- Budapest 1993
- Paris & Toronto 1994
- Frankfurt & Durban 1995
- Geneva & Tel Aviv 1996
- Goteborg & Rio de Janeiro 1997
ISO 10015 was published on December 15, 1999 after receiving overwhelming majority vote from ISO membership.
Benefit 1

It provides a process control procedure to reduce variation of quality of products/services or outcomes
Training Performance Overtime

- Quality Variation
- Quality Requirements

Performance vs. Time

High
Low
Benefit 2

It provides a monitoring system regarding the functioning of the whole supply chain (work processes) on a on-going basis.
Benefit 3

It provides a participation vehicle which engages the services provider with line managers and other multi-level users in an on-going dialogue and partnership.
Benefit 4

It aligns the training services with the business objectives and targets training investment at the critical mass that would contribute to the performance of the company.
1. Defining training needs

2. Design and planning training

3. Providing for Training

4. Evaluating training outcomes

Identified Performance Gap

MONITORING Training Process

INPUT

OUTPUT
Linking Training with Organisational Performance

Organisational Performance GAP
Why?

Wrong or Deficient Raw Material/Parts?
Wrong or Ineffective Equipment?
Under-performing Human Resources?
Wrong Products? (no market demand?)
Insufficient Financial Resources?

Inadequate Organisational Structure?
Ineffective Leadership?
Recruitment of staff with wrong skills portfolio?
Inadequate Competencies and Skills of current HR?
Remuneration not Labour Market competitive?
Inadequate Motivation? (e.g. work overload?)

Solution through Rationalisation (substitution of HR through automation)?
Solution through hiring of new staff with Adequate Competencies?
Solution through training of existing staff? (acquiring of new competencies?)
Solution through job rotation as strategy for skills improvement?

Training Process

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What is ISO 10015?

The ISO 10015 Standard is a quality assurance standard for (education) and training.

Its function is to ensure the impact and the effectiveness of training systems and programmes in your organisation so that a higher Return on Investment (ROI) can be attained.
Shared Principles

- Aligned with ISO 9001:2000
- Shared with other quality award programmes, for instance, the Malcolm Baldrige Quality Award, the European Quality Award etc.
- Customer focus, leadership, involvement of people, process approach, system approach to management, continual improvement, factual approach to decision making, mutual beneficial supplier relationships
ISO 10015 - strengths

- is recognized and used world-wide
- has the process approach and customer orientation
- is generic and applicable to all organizations
- is strategic
- integrates different performance management tools and HR practices into a shared platform
- aligns L&D processes with strategic planning & line management practices
- is driven by comprehensive data and a just-in-time tracking system
Human capital is a key factor of corporate competitiveness
- Human capital is generated through excellence of education and life long learning
- Investment in training and development is crucial for companies’ bottomline
- T&D without quality assurance represents a high risk of wastefulness, sub-optimal use of resources, demotivation of staff and possible labour turnover
- ISO 10015 provides the foundation of effective & efficient use of training resources and ensures collection of data needed for calculation of ROI
To install the ISO 10015 system presents a fundamental paradigm shift for traditional approach to personnel function.

To be successful in using ISO 10015 as a management tool demands organizational culture re-orientation and capability development of the HR function.

Challenging but has to be done otherwise organisations jeopardise their survival.
Thank You!!