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SOCIETY FOR HUMAN  
RESOURCE MANAGEMENT

# Motors and More Inc. — A Progressive HR Case Study

by Don McCain, Ed.D.

Strategic HR Management



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HR MANAGEMENT



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## STRATEGIC HUMAN RESOURCES MANAGEMENT

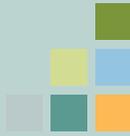
### INTRODUCTION

This is a scenario-based progressive case study that can be used in sequence or adapted to fit the instructor's curriculum, although it is recommended to present the case in the sequence outlined below. This study is intended for upper-level undergraduate students.

#### Learning Objective(s)

Upper-level undergraduate students will work through issues associated with developing and sustaining an HR department to support an organization facing labor shortages and high product demand. At the end of the study, students learn how to:

1. Align HR initiatives with corporate strategy.
2. Develop a complete HR organization structure, including roles and responsibilities, and then adjust the structure to support the organization.
3. Develop a basic staffing plan.
4. Develop a basic training plan.
5. Determine and support a pay and benefits plan.
6. Determine future HR requirements.



**CASE OVERVIEW**

You are hired as the HR director for the fictitious Motors and More, Inc. Motors and More, a business-to-business sales company, manufactures small motors and accessories for industrial and home products. The industry is highly competitive, and the company follows a prospector strategy.

A prospector strategy takes advantage of new markets and products (Gomez-Mejia, Galkin and Cardy, 2001). Organizational emphasis is on growth, innovation and new product development. A prospector wants to be first to market. To respond to competitive and rapidly changing markets, prospectors have flexible, flat and more decentralized organizational structures.

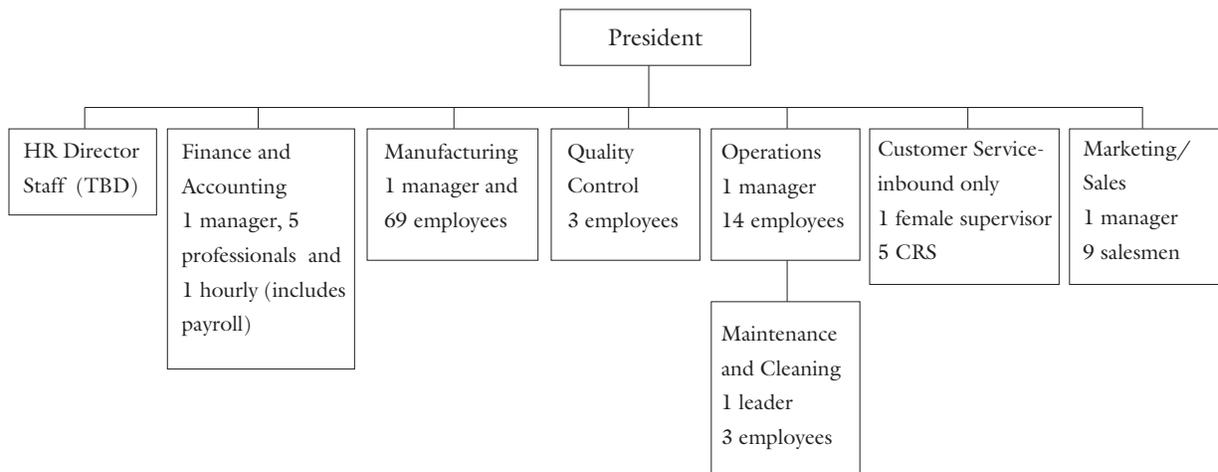
Motors and More is headquartered in a small southern town of 28,000 people, with a low unemployment rate of 3.1 percent. This means that demand for workers exceeds the labor supply. There is a technical school and a community college within 50 miles of Motors and More. Motors and More’s president is former military and is highly patriotic. He is committed to staying in the community. Recently, several other local companies have experienced labor organizing activities.

Motors and More employs 116 people. Until you were hired, there was no HR department. Recently, the organization’s employee turnover rate has been higher than normal. The marketing and sales department continues to sell products to an expanding market. Because of this increased product demand, output must be increased by 96 percent.

Eighty-eight percent of Motors and More employees are Caucasian. With the exception of one female supervisor in the customer service department, the president and all other managers are Caucasian men. Management promotions have been based on seniority. The local labor market population is approximately 48 percent minority. There is a growing Hispanic and Kurdish population that have not been accepted into the community.

All the employees in manufacturing (including quality control), customer service and operations (responsible for shipping and receiving; distribution of raw materials, components parts and finished goods inventory; and maintenance and cleaning) have at least a high school degree or GED. The organization provides some skills training courses. Please refer to the organizational chart in Figure 1 for more details.

**Figure 1: Motors and More Organization Chart**





## Part I: Designing the HR Department

Students are asked to complete the following activities. Before you begin, your instructor will review the concepts of organizing and organization design.

- A. Design a typical HR department and identify each HR unit. For each HR unit, provide roles/responsibilities and job titles. Develop an organization chart of a typical HR department.
- B. Given the size of Motors and More, indicate which positions identified in your typical HR department should be combined or eliminated to reduce the number of HR employees. Provide new job titles and develop an organizational chart specifically for Motors and More's new HR department. Provide the total number of staff for each HR unit.
- C. Identify the HR practices required to support a prospector strategy.
- D. Prepare a 20-minute presentation (include time for discussion).

### Teaching Notes

The scenario provides background information and a framework for the progressive case study. Students are asked to address the organization's issues through a series of papers and presentations. Students should state their assumptions. Some assumptions might include:

- Motors and More has adequate resources to support any reasonable initiatives.
- Motors and More produces products and services that will continue to be in demand.
- Motors and More does not have a succession plan.

*A note to instructors on customizing this case study.* Although the instructor can realign sections of the case to fit the flow of course curriculum, Part I must be presented first and Part V must be completed last.

*Compensation and benefits information may be customized.* The instructor may also choose to customize this case study by adding data on employee compensation and benefits that align with your geographic location.

Instructors may stipulate that entry-level employees in the manufacturing department are paid minimum wage as mandated by federal law or define wage rates for employees in the different divisions. It may also be helpful to define the organization's compensation philosophy. Will Motors and More decide to meet, lead or lag the competition? Where will the organization stand in comparison to other organizations in the area? What other information may help the student decide the organization's approach to pay?

Regarding benefits, Motors and More provides unemployment insurance, workers' compensation and Social Security withholding for employees as mandated by law. Instructors may also provide information about voluntary benefits such as vacation time, sick time and health care. Instructors may elect to provide data on local costs of health care, vision or dental benefits. Finally, instructors may choose to provide information regarding how much Motors and More's leadership wants to spend on benefits.

Student presentations should be in executive summary format with media support (e.g., PowerPoint). Time should be included in the presentation for the professor and students to ask questions to clarify issues or go into more depth. Because students are undergraduates with little or no "real-life" work experience, the instructor should discuss what is included in an executive summary format.



### Executive Summaries

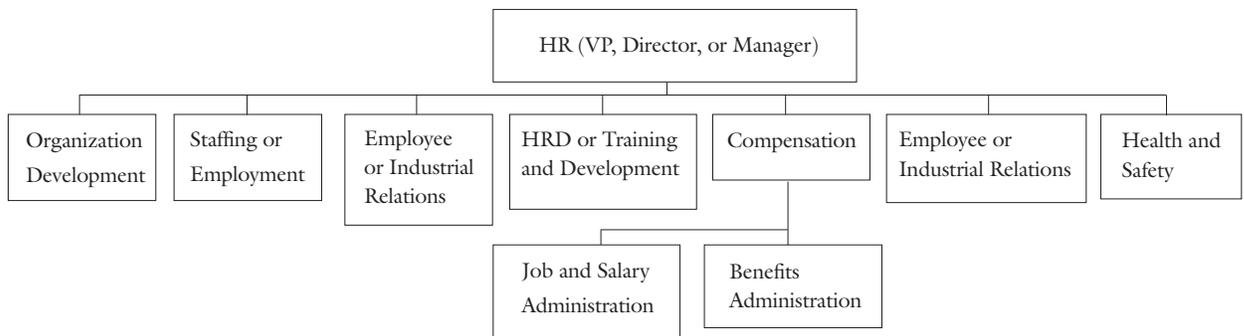
- An executive summary explains only key points of research findings and not the detail. The detail is in the report. Students may tend to include too much detail in their executive summary.
- PowerPoint slides should have no more than six to eight lines with six to eight words per line. Presentations should not exceed 10 to 15 PowerPoint slides. Students tend to put too much content on a slide.
- Presentations should be no more than 20 minutes including discussion time. Students may benefit from ongoing discussion and questions rather than holding questions until the end of the presentation. This closer replicates reality.

[A] Explain the concepts of organizing and organization design. Develop a complete HR department, indicating each HR unit. For each HR unit, provide typical roles/responsibilities and job titles. Provide a typical organization chart of a typical HR department, not for Motors and More.

Organizing is a basic managerial function. Organizing is the process of designing jobs, grouping jobs into manageable units, and establishing patterns of authority among jobs and groups of jobs (Griffin and Moorhead, 2006). “Organization design refers to the framework of jobs, positions, groups of positions, and reporting relationships among positions that are used to construct an organization” (DeNisi and Griffin, p. 50). Organizing combines with organization design to form an organizational structure.

Using Anthony, Kacmar and Perreewe (2006) as a source, Figure 2 represents a comprehensive HR structure. Some HR professionals may argue against including organization development as a part a human resource development strategy. Nonetheless, this figure is helpful because it depicts the organizational functions that must be included in a comprehensive HR department.

**Figure 2: An HR Organization Chart**



## ROLES/RESPONSIBILITIES AND JOB TITLES

All HR managers, regardless of their functional areas of expertise, must be able to hire, train, coach, recognize and reward performance (performance management), plan, organize, set goals, develop and implement strategies, lead employees, create and administer budgets, etc. These are responsibilities common to all managers.

In addition, a decision needs to be made regarding administrative support—should it be centralized or should it be dispersed among the functional or operational areas?

### HR director or manager

#### Roles/responsibilities

- Leads and manages the department.
- Develops relationships with senior management to align HR goals and strategies with those of the organization.
- Scans the external environment for changes that could affect HR.
- Participates in organizational planning and review sessions.

### Organization Development (OD)

Possible job titles: OD specialist, OD consultant

#### Role/responsibilities

- Develops relationship with internal client(s); formulates internal contract(s).
- Conducts organization research, analysis and diagnosis to identify organizational issues with the goal of performance improvement. Issues may include the reward system or performance management, management style, structure, processes, tools and equipment, goal setting, etc.
- Develops interventions (or contracts with consultants to develop interventions) to address issues or problems that can be solved by collecting survey data, coaching, training; provides feedback to management and employees.
- Assists in creating a culture of learning, development and achievement.
- Facilitates and maintains organizational change.
- Supports performance management.

### Staffing or Employment

Possible job titles: Employment manager, staffing manager, recruiting manager, staffing or recruiting specialist or coordinator

#### Roles/responsibilities

- Develops candidate pools.
- Advertises job openings.
- Ensures accuracy of job descriptions and specifications. Ensures they are consistent with performance management requirements.
- Screens candidates using instruments as applications, résumés and references.
- Conducts or contracts background checks.
- Develops or contracts with a consultant to develop instruments such as tests or pre-employment processes, procedures or protocols.
- Conducts interviews and assesses candidates.
- Extends offers or recommends candidates for hire.
- Ensures legal compliance.
- Secures use of temporary workforce.
- Brings candidate on board and ensures that paperwork is complete.
- Supports diversity and affirmative action initiatives.

## Human Resource Development (HRD) or Training and Development

Possible job titles: Training specialist, training coordinator or administrator, facilitator, learning specialist, designer, developer, evaluator, training or performance consultant

### Roles/responsibilities

HRD is responsible for the development of the organization's intellectual capital. HRD professionals are involved in needs assessment; design, development, delivery and evaluation of learning experiences; development of career path models; employee orientation; etc. HRD supports the performance management process by training managers and employees on performance management. Specific roles and responsibilities are discussed below. Robinson and Robinson (1996) provide some of the roles/responsibilities by job.

- **Facilitator:** Presents information; facilitates learning experiences; manages group work and processes; maintains the agenda; provides feedback to learners, designers and developers.
- **Designer:** Conducts needs assessment; writes goals and objectives; defines and outlines content in conjunction with the evaluator; develops evaluation plans in conjunction with the internal client; determines instructional strategies.
- **Developer:** Develops full content and instructional strategies; develops or secures instruments, cases, assessments, etc.; develops leaders' and participants' guides and materials; develops media; may conduct train-the-trainer sessions.
- **Evaluator:** In conjunction with designer and client, develops and implements evaluation plans; conducts all levels of evaluation; reports evaluation findings to appropriate persons; may assess facilitator skills.
- **Training coordinator or administrator:** Supports the delivery of learning experiences; coordinates participant materials and media; enrolls participants and sends pre-course materials; secures facilities; coordinates facilities, including hotels, training rooms and breakout rooms; tracks attendance and maintains records; promotes the course or learning experiences; ships materials; tracks expenses.
- **Training or performance consultant and internal client (the recipient of the services) liaison:** Conducts organizational analyses for internal client organization; contracts for performance improvement; consults with internal clients on performance issues; prioritizes needs; secures support (including funding; access to subject matter experts; collects audience profiles; supports learners' participation; supports transfer of new knowledge and skills to the job; has access to data necessary to carry out these responsibilities); with client input, selects facilitators; provides feedback to internal clients; manages the interface with the HRD staff.

### Compensation

Compensation has two primary areas—benefits and salary administration. In many organizations, payroll is a function of the accounting department. In other organizations, payroll is placed in compensation.

### Benefits

Job titles: Benefits analyst, benefits specialist, benefits administrator

### Roles/responsibilities

- Determines the level of benefits and packages as they relate to the internal requirements of staff versus the competition and to retain employees.
- Determines the benefits to be offered.
- Administers the health plan (including HMO or PPO plans).
- Administers retirement plan(s), such as 401(k), defined contribution or defined benefit plans.

## Salary Administration

Job titles: Job analyst, job and salary analyst or specialist

### Roles/responsibilities

- With management, develops types of reward pay, including merit, incentives, bonuses, gain sharing, profit sharing, stock options and other rewards.
- With management, determines pay positions relative to the competition with the goal to lead, lag or meet the competition.
- Conducts job analyses and evaluations to determine job responsibilities, job specifications and pay grades.
- Writes job descriptions.
- Consults with management and employees on performance goals and standards; supports the performance management process.
- Conducts salary surveys and recommends and implements adjustments to pay grades based on survey results.
- Develops career path models.
- Possibly maintains payroll.

## Employee Relations or Industrial Relations

Job title: Employee relations specialist

### Roles/responsibilities

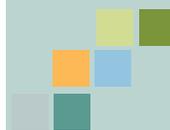
- Scans the internal environment for potential employee relations issues.
- Designs (or secures), implements and analyzes employee survey results. Develops and implements plans to address identified issues.
- Ensures compliance with labor laws.
- Maintains labor relations in a union or union-free environment.
- Writes employee handbook.
- Writes and implements discipline procedures.
- Provides counseling and support for employees with personal issues (EAP role).
- Writes ethical policies and maintains ethical guidelines; maintains “ethics” hotline.
- Produces and distributes HR publications.
- In conjunction with staffing, supports relocation and outplacement services.
- Works with staffing to ensure accommodations for disabled employees.
- Supports diversity efforts.
- Ensures employee rights are not violated.

## Health and Safety

Job titles: Safety specialist, safety coordinator, safety administrator, industrial nurse

### Roles/responsibilities

- Conducts inspections to ensure OSHA compliance.
- Develops and implements procedures to ensure a safe work environment.
- Conducts or secures safety training.
- Conducts health and wellness information and training.
- Files accident reports. Maintains files in accordance with OSHA requirements.
- Facilitates the provision of medical care for employees hurt on the job.
- Ensures that security is provided for the facility.



[B] Given the size of Motors and More, indicate which positions identified in your typical HR department should be combined or eliminated to reduce the number of HR employees. Provide new job titles and develop an organizational chart specifically for Motors and More's new HR department. Provide the total number of staff for each HR unit.

#### Teaching Notes

Motors and More is a small organization of 116 employees and will have a small HR staff. The HR staff may consist of a director, a generalist and one administrative position. Students tend to design a more extensive HR department. The challenge is to ensure that all HR functions are represented within a small HR department. This can be done by using managers to assume some of HR responsibilities while outsourcing others. Most training (whether in the design or the delivery), for example, could be outsourced, although subject matter experts (SMEs) could conduct some training. A staffing agency could handle most of the recruiting and screening. Since only the statutory benefits (e.g., workers' and unemployment compensation, Social Security withholding and FMLA leave) are offered, this can be handled internally. Vendors (such as OSHA or safety training companies) could provide safety training and posters. Health and safety issues could be assigned to the plant manager or foreman.

[C] Identify the HR practices required to support a prospector strategy.

A strategy is a plan for interacting with the competitive environment to achieve organizational goals (Daft, 2003). According to Gomez-Mejia, Balkin and Cardy (2004), the objective of a prospector strategy is to find and exploit new products and market opportunities.

Organizations that use a prospector strategy are aggressive in the marketplace, highly competitive and quick to produce new products and services to be the first to market. Their key objective is to find and exploit new products and market opportunities. They operate in an environment of uncertainty and instability.

Organizational practices inherent in a prospector strategy include (Gomez-Mejia, Balkin and Cardy (2004):

- Emphasis on faster innovation, flexibility and creativity.
- Broad job classes with loose work planning.
- External recruitment (finding candidates), with the supervisor making the decision.
- Customized appraisals with multiple input used for development purposes.
- Generic training.
- Team-based and cross-functional training.
- Decentralized pay that rewards risk taking.
- Variable pay individualized and based on performance.

To be flexible, organizational structures in a prospector strategy are flat in organization design, decentralized and/or team-based.

## PART II: DEVELOPING THE RECRUITMENT AND RETENTION PLAN

- A. Given the increase in product demand, how many people will you need to hire and in what functional areas (manufacturing, operations, customer service, marketing and sales, finance/accounting, and HR)? Provide your rationale for the proposed hiring in each unit. Consider the turnover rate. Identify the factors that could be causing turnover. Identify the costs of turnover.
- B. Include the types of interviews you would conduct and why.
- C. Develop strategies to recruit the appropriate applicants and include sources and tools used for recruiting and selection. Identify the possible areas and types of discrimination that could occur.
- D. What can you do to retain current employees? What are the benefits of retention?
- E. How will you assess the effectiveness of your recruiting efforts?
- F. Prepare a 20-minute presentation, including discussion.

### Teaching Notes

[A] Given the increase in demand, how many people will you need to hire and in what functional areas (manufacturing, operations, customer service, marketing and sales, finance/accounting, and HR)? Provide your rationale for the hiring in each area. Consider turnover. Identify factors that could be causing turnover. Identify the costs of turnover.

The hiring rationale is more important than the actual number of employees hired. Some students will look at need to increase production by 96 percent and recommend that the staff double in size.

Other students may consider second shifts and overtime. A second shift will require adding “lead” positions. Employees in “lead” positions oversee the work of the staff but do not have full supervisory duties. Hiring employees for lead positions may become too expensive. Adding overtime may be a good recommendation in the short run, but in the long run, it may also become too expensive. Increasing productivity through incentives is another possibility. This may help increase some production but not all of it. Based on these ideas, students will probably devise some sort of proportional increase.

Not all units need to increase staff. For example, you will not need to increase staffing in HR, finance and accounting, or marketing and sales. Additional staffing will be needed in manufacturing and perhaps an additional person in quality. The operations department will need more staff but not maintenance and cleaning (at this point). Customer service will need additional staff in a few months due to the lag time between increased production, distribution and customer response.

### The Selection Process

This is a good time to review the selection process. According to Noe, Hollenbeck, Gerhart and Wright (2007), the steps in a selection process include screening applications and résumés; reviewing and testing work samples; interviewing candidates; checking references and background; and making a selection. Internal candidates would not require all of these steps.

### Turnover

The Department of Labor uses the following formula to measure turnover:

$$\left( \frac{\text{Number of employee separations* during the month}}{\text{Total number of employees at midmonth}} \right) \times 100$$

\* Those leaving the organization

#### Teaching Notes

There is internal turnover, when an employee leaves one department and moves to another department, and external turnover, when an employee leaves the organization. Turnover should be included in students' staffing and recruiting plans.

A transition matrix is a good tool to analyze where employees move within the organization and to identify the positions where people are leaving the company. A transition matrix mathematically depicts the flow of employees within an organization (Anthony, Kacmar and Perrew 2006). The matrix shows, by position, the number of employees and where they are moving within the organization. This information helps understand future supply movement and therefore supports staffing forecasting.

Turnover may be voluntary or involuntary. Involuntary turnover occurs when employees do not willingly leave the organization. Terminations, layoffs and outsourcing are conditions where an organization may experience involuntary employee turnover.

Motors and More is not experiencing involuntary turnover, however. The organization is expanding its workforce, and the community is experiencing a labor shortage. The turnover, then, is voluntary. Some reasons for voluntary turnover include:

- Retirement.
- Job dissatisfaction—work overload, issues with the manager or other employees, little flexibility in work scheduling, lack of challenge.
- Robust labor market—employees can easily find alternative employment because of the high demand for employees in the area.
- HR issues—competitive pay and benefits, no career path, perceived unfairness in rewards distribution.
- Issues related to stereotyping, discrimination and harassment.
- Personal or family reasons.
- Employee relocation outside the region.
- Individual values not aligned with company values.

Turnover is expensive for organizations:

Employee Separation Costs	Recruiting Costs	Selection/Interviewing Costs	Training Costs	Less Direct Costs
<ul style="list-style-type: none"> <li>• Severance pay</li> <li>• Benefits</li> <li>• Unemployment insurance costs</li> <li>• Exit interview</li> <li>• Outplacement</li> <li>• Legal fees</li> </ul>	<ul style="list-style-type: none"> <li>• Advertising</li> <li>• Recruiter’s and manager’s time</li> <li>• Travel (applicant and/or recruiter)</li> <li>• Search firm</li> <li>• Employee referral fees</li> <li>• Campus visits</li> </ul>	<ul style="list-style-type: none"> <li>• Interviewing: cost of employees’ time</li> <li>• Cost of travel: cost of travel for applicant to the interview</li> <li>• Instrument development (questions, criteria, tests)</li> <li>• Reference checks</li> <li>• Background checks</li> <li>• Relocation</li> <li>• Pre-employment medical expenses</li> </ul>	<ul style="list-style-type: none"> <li>• Training new employee (orientation, job, team)</li> <li>• Travel for training</li> <li>• Trainer’s time</li> <li>• Lost productivity during training</li> <li>• Training materials</li> <li>• Coaching time</li> </ul>	<ul style="list-style-type: none"> <li>• Lost productivity due to new employee’s productivity curve or the existing staff taking on more work while being less efficient/effective while the vacancy exists.</li> <li>• Overtime for current employees</li> <li>• Loss of business due to poor customer service</li> <li>• Not being able to take on new business due to lack of resources</li> <li>• Lost knowledge</li> </ul>

[A] Include the types of interviews you would conduct and why.

Explain the types of interview formats including structured, situational and behavioral.

**Teaching Notes**

A structured interview “uses a set of standardized questions asked of all applicants. The interviewer asks every applicant the same basic questions, so that comparisons among applicants can more easily be made.” (Mathis and Jackson, 2006).

The behavioral interview seeks to get at the person/job fit. To do so, the interviewer will ask for specific examples of actual job performance to see if the applicant possesses the competencies needed to perform the job.

In a situational interview, the applicant is asked questions about how he or she might handle specific job situations. Interview questions are based on a job analysis and checked by experts in the job so that they are content-valid (Mathis and Jackson, 2006).

There is no reason why different types of interview formats cannot be used. The behavioral interview, in which the applicant is assessed for job fit, works well for teams, close-work groups and the prospector strategy. Since the labor market is tight, good job fit means good job retention. For some positions—operations and manufacturing, for example—the structured interview might be appropriate. For customer service and team leaders, a mix of behavioral and situational questions might be appropriate to assess how they would have or have handled certain situations.

**[B]** Develop strategies to recruit the appropriate applicants and include sources and tools used for recruiting and selection. Identify the possible areas and types of discrimination that could occur.

#### Teaching Notes

There is an internal pool for team leaders for a second shift. There are also employees who may want to transfer to another area. For internal staffing, new positions should be posted, candidate's qualifications reviewed and interviews conducted.

External sources include traditional sources, such as the technical and community colleges, local high schools and other organizations. The Kurdish community, disabled individuals, non-working spouses, senior citizens, inmates in half-way houses or parolees, and the homeless are nontraditional recruiting sources. Nearby towns may not have a labor shortage and could be a source. High school and college employment fairs, temporary agencies, public employment agencies and former employees are additional sources. You may even be able to hire from your customer base.

Recruiting tools include internal posting, employee referrals (consider offering a bonus for good hires), employment fairs, electronic bulletin boards and Internet postings, newspaper advertising, and notices with professional and trade associations.

Selection tools include the application form, résumés, referrals, tests (such as physical or cognitive ability tests and medical exams) and the actual interview.

Motors and More should examine possible employment discrimination practices.

#### Equal Pay

There is one supervisor who is a woman and four managers, all of whom are men. Motors and More should examine the jobs to determine if they are equal in terms of skill (experience or training), effort (mental or physical effort), responsibility (degree of accountability) and similar working conditions (physical surroundings or hazards). Is there enough difference between the positions to warrant a "supervisor" job classification and not "manager" job classification? If job responsibilities (such as outbound sales) expand, will the job classification difference still be warranted?

#### Sex Discrimination

Why is there only woman in a lower management position supervising the call center? It may appear that Motors and More believes there are certain jobs better suited for women. Was gender a factor in the hiring decision? Is stereotyping occurring?

#### Racial/Ethnic Discrimination

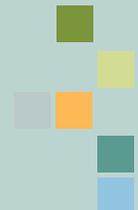
Motors and More is 88 percent Caucasian, and all managers are men. The local population is 48 percent minority, indicating possible discrimination. Since promotions are based on seniority, it appears that Caucasian men have been there the longest and received the promotions. Motors and More must aggressively recruit, staff and promote qualified minorities. It should also promote based on performance and job specifications, not tenure.

Because of Motors and More's racial demographics, we can assume that the local Hispanic and Kurd population has not been accepted at Motors and More. This lack of inclusion may lead to discrimination allegations.

**[C]** What can you do to retain current employees? What are the benefits of retention?

#### Teaching Notes

Retention strategies include good management, developing clear career paths (Motors and More has not done this), ensuring competitive total compensation, providing recognition/rewards, providing comprehensive employee orientation (many employees leave because they have not had proper orientation to the job and team), coaching, creating support groups to support diversity, ensuring task clarity, and conducting research to determine the cause of employee turnover.



## Benefits of retention

Organizations with good retention:

- Retain critical knowledge and skills, which can provide a competitive advantage.
- Have employees who are prepared for new positions as they become available, thereby reducing recruiting and training costs.
- Have good individual, team and organizational performance because employees know their jobs, peers, products and customers.
- Can respond quickly to changes in strategy and direction.
- Retain skills that can support peer coaching to improve performance.
- Have continuity of the organization's culture, values and goals.
- Can become an employer of choice, reducing recruiting and turnover costs.

A. How will you assess the effectiveness of your recruiting efforts?

There are a number of ways to assess effectiveness of recruiting efforts. One way is to calculate costs per hire. To calculate costs per hire, add total recruiting costs and divide by the number of candidates hired.

A second method is to determine the yield ratio. According to Mathis and Jackson (2006), the yield ratio is the comparison of the number of candidates at one stage in the recruiting process to the number of candidates at another stage. To calculate a job offer yield ratio, divide the number of applicants by the number of applicants offered a job.

You can also use a selection rate to assess your recruiting efforts. A selection rate is the percentage hired from a given group of candidates. It equals the number of employees hired divided by the number of applicants (Mathis and Jackson, 2006). Mathis and Jackson (2006) also discuss acceptance rate (the percentage of job offers rejected) and success rate (comparing the number of past candidates who were good performers to current employees). You can also identify effective recruiting sources by determining where you found candidates who can be defined as good employees.

You may also try to determine which recruiting sources provide higher-quality applicants. For example, many organizations regularly recruit from certain universities because, over time, those universities have provided the organization with higher-quality candidates than other schools.

### PART III: DEVELOPING A COMPENSATION PLAN

[A] Develop a progressive yet competitive compensation plan that will support recruiting and retention efforts and lower the employee turnover rate. Traditionally, Motors and More has provided employees minimum wage and statutory benefits.

1. How does Motors and More's employee compensation compare relative to other organizations in the area? Will the organization meet, lead or lag the local market? Explain your rationale.
2. Identify alternative pay methods and discuss the advantages/disadvantages of each.
3. What benefits will you offer? Include statutory benefits. What are the costs of those benefits? What is the rationale for offering those benefits?
4. Develop a communications plan. Consider the various audiences that must be informed.

[B] Prepare a 20-minute presentation explaining your compensation plan.

#### Teaching Notes

1. **How does Motors and More's employee compensation compare relative to other organizations in the area? Will the organization meet, lead or lag the local market? Explain your rationale.**

Given the low unemployment rate, the organization may decide to meet the competition in starting pay. If it lags behind the market, Motors and More may not be able to hire qualified staff. If the company decides to lead, other organizations might follow. Any hiring advantage would be lost, and Motors and More would have increased costs without benefit. Alternatively, Motors and More may decide to use incentives or bonuses to better compete for resources.

2. **Identify alternative pay methods and discuss the advantages/disadvantages of each.**

There are a number of alternative pay methods to reward employees.

#### Merit Pay

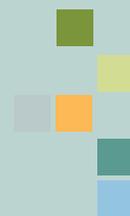
Merit pay rewards employees for work already done, usually over the last performance year. Employees are familiar with merit pay, and there is little resistance offering it. Over time, merit pay increases employees' base pay, thereby increasing organizational costs. It is also difficult to really link performance to merit pay. Further, merit pay may not result in increased performance. Employees may not see the link between merit pay and their performance.

#### Incentives and Bonuses

Incentives and bonuses reward individual performance without adding to base salary. Incentives and bonuses also link pay with performance. For example, in manufacturing, a straight piecework plan pays employees a certain amount for each unit produced. In a team environment, a group incentive could increase group productivity. A disadvantage is that it may cause unhealthy competition among employees.

#### Commissions

Typically, commissions are pay based on product sales. On a straight commission pay plan, pay is based on employee performance; the more sales, the more commission the employee receives. A combined commission pay plan pays a base salary plus commission. Commission pay plans directly link pay to performance. Commissions can result in increased sales. Commission pay plans, however, may cause employees to behave unethically in order to make the sale. Generally, commissions reward individual, not team performance.



### On-the-Spot Awards

On-the-spot awards instantly reward employees for good performance or behavior. The recipient is usually nominated by a supervisor or peers. Awards may include gifts, gift certificates or cash. On-the-spot awards focus employee attention on organizational goals and objectives. In addition, employees can quickly see the link between performance or behavior and the reward. On-the-spot awards can lead to feelings of resentment or unfairness, however, if managers use their own criteria for giving awards.

### Gainsharing

In a gainsharing incentive compensation plan, employees are rewarded for cost reduction or improved productivity. Savings are usually shared equally between the employees and the company. Organizations using gainsharing incentives usually have participative management styles. Gainsharing plans can help employees understand what is important to the organization, such as decreasing labor costs. Gainsharing can also increase employee cooperation because employees are rewarded equally, reducing competition. Gainsharing also reinforces continuous improvement. Gainsharing, however, can make it difficult to determine a productivity baseline. It can also be difficult to determine who will participate in the program. In a gainsharing plan, an organization could pay for cost reductions even when profits are declining. Lastly, since all employees are rewarded equally, the payment may not seem fair to all employees.

### Profit Sharing

In profit sharing, the organization pays employees above and beyond their base pay when the organization earns a profit. Profit sharing allows the organization to reward employees when the organization can most afford it. Profit sharing also provides flexibility in the distribution of the payments. Employees may not see the link between individual performance and profits, however, minimizing the link to performance.

These pay methods add value to the company while providing flexibility in pay. When suggesting possible solutions, students may offer, as an option, issuing stock. However, the instructor should advise students that Motors and More is not a public company.

### **3. What benefits will you offer? Include statutory benefits. What are the costs of those benefits? What is the rationale for offering those benefits?**

Currently, Motors and More employees receive only statutory employment benefits. Statutory benefits are Social Security, workers' compensation, unemployment compensation and FMLA leave.

Social Security provides retirement and disability income and can supplement unemployment insurance. It is funded by equal contributions between the employer and the employee.

Workers' compensation covers medical costs and employee pay if the employee is unable to work due to a job-related illness, injury or disability. It is paid for by the organization.

Unemployment compensation provides income to employees who lose their jobs. The employer pays for unemployment compensation based on the organization's location and history of terminations and layoffs.

The Family Medical Leave Act requires employers with 50 or more employees to allow employees to take up to 12 weeks of unpaid leave during a 12-month period for narrowly defined personal and family health issues. The Act ensures that the employee can return to the same position or one of equal status and pay. In addition, the Act requires employers to maintain employee's health coverage (if offered).

**Teaching Notes**

There are a number of different benefits Motors and More can offer, including medical, dental, vision, retirement, tuition reimbursement, daycare and eldercare, 401(k), paid sick and vacation time, and paid holidays. Can Motors and More afford to offer extensive benefits? Students will want to offer an extensive benefits package that includes all of the benefits mentioned above. A benefits package like this can cost 38 percent of payroll. A basic cafeteria or flexible medical plan (HMO or PPO) with higher deductibles may be more affordable to the organization, yet still seen as beneficial to employees. Students need to realize that a small organization may not be able to afford an extensive benefits package.

Motors and More should compare its benefits to those of similar organizations (in size and industry) in the area. To attract and retain employees, it must offer competitive benefits, yet an extensive benefits package is not affordable. Motors and More’s leadership team could discuss benefits options with their employees. Please advise students that while retirement, childcare, eldercare, dental or vision benefits may be part of the solution, all of these benefits must be justified in terms of cost/benefit analysis. A cafeteria-style health care benefit could provide flexibility for employees and help contain costs. The employees could also help share the costs.

**4. Develop a communication plan. Consider the various audiences that must be informed.**

Developing a communication plan ensures that everyone understands benefits offerings.

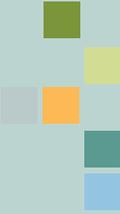
**Teaching Notes**

Communication plans should be tailored to different audiences as necessary; not everyone will need to see the same information in the same format. For example, if the decision has been made to extend a benefits package, managers and supervisors should be informed so they can answer employees’ questions. Employees need information to help them decide whether or not to enroll in the plans.

Figure 3 provides a sample communication plan structure targeting only the employee level.

**Figure 3: Communication Plan**

Audience	Message	Medium	Desired Result	Timing	Frequency	Person Responsible
Employees	Explanation of new benefits	Large group meeting	<ul style="list-style-type: none"> <li>Employees will understand the new benefits so they can make an informed decision</li> <li>Employee enrollment</li> </ul>	At enrollment time	Quarterly	HR Director Benefits Consultant
		Website	<ul style="list-style-type: none"> <li>Understanding the new benefits</li> </ul>	Continuous	Continuous	Webmaster Benefits Consultant
			<ul style="list-style-type: none"> <li>Understanding the new benefits</li> </ul>	Based on publication dates	Semi-annual	Editor Benefits Consultant
		One-on-one consultation	<ul style="list-style-type: none"> <li>Employees will understand the new benefits so they can make an informed decision</li> <li>Employee enrollment</li> </ul>	By appointment	Ongoing	Benefits Consultant



Different communication mediums (or methods) should be used for different audiences. The management team may require group and/or one-on-one meetings. Employees will want to see the details in a document they can read and revisit.

Desired results are also audience-specific. For example, you will want management to understand the new benefits, enroll in the plans and also be supportive of the plans. You will want employees to understand the new plans, with enrollment as the desired result.

A communication plan considers timing (when the message will be communicated) and frequency (how often the message or a version of the message will be presented to the audience). For example, for benefits enrollment, timing may be one month before the enrollment period begins. The frequency may be once a week to start, increasing to twice a week as the enrollment period draws to a close.

For a communication plan to succeed, each person assigned to execute each phase of the plan must be held responsible to complete it within the time specified.

**PART IV: DEVELOPING A HUMAN RESOURCE DEVELOPMENT PLAN**

**[A]** Develop a human resource development (HRD) plan. Given the fact that Motors and More has no formal training program and promotions have been based on seniority, your plan should address:

1. New-employee training.
2. Current-employee training for current and future jobs according to a career path.
3. Manager and supervisory training.

**[B]** In your training plan, address the following:

1. How will you conduct a needs assessment for each group (include methods and instruments)?
2. How will training content be developed or obtained?
3. How will training be delivered (e.g., classroom, intranet, blended, self-study, etc.) and by whom (internal employee or external consultant/trainer)? Provide a rationale for your decision.
4. What processes and instruments will you use to evaluate the program's effectiveness for each group?

**[C]** Prepare a 20-minute presentation, including discussion.

**Teaching Notes**

**[A]** Develop a human resource development (HRD) plan. Given the fact that Motors and More has no formal training program and promotions have been based on seniority, your plan should address:

1. New-employee training.
2. Current-employee training for current and future jobs according to a career path.
3. Manager and supervisory training.

Each target audience has different needs.

**New-employee training**

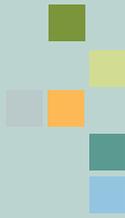
New employees should undergo an orientation program. Comprehensive orientation should include information about the industry, organization, job unit and position. To retain employees, orientation to the team (job unit) and position are important. New-employee orientation should address individual employee goals. New employees may also need specific job training to enhance their skills, to safely use equipment and to follow procedures.

**Current-employee training**

Current employees may need refresher skills training and diversity training. Evaluate whether English-as-a-second language (ESL) training would support the work environment. If functional career paths are developed, training should align to the functional career path. Because Motors and More will likely add to team leaders, basic supervisory and team leadership training may be needed.

**Manager and supervisory training**

Managers and supervisors were promoted by seniority, and there is no indication they have had any management-level training. Promotion by seniority also resulted in a lack of women and minorities in top-level positions. Basic management training in areas such as budgeting and forecasting, employment laws, performance management, goal setting, and giving and receiving feedback would improve their capabilities. Diversity training is also recommended for this group.



### Teaching Notes

**[B]** In your training plan, address the following:

1. How will you conduct a needs assessment for each group (include methods and instruments)?
2. How will training content be developed or obtained?
3. How will training be delivered (e.g., classroom, intranet, blended, self-study, etc.) and by whom (internal employee or external consultant/trainer)? Provide a rationale for your decision.
4. What processes and instruments will you use to evaluate the program's effectiveness for each group?

How will you conduct a needs assessment for each group (include methods and instruments)?

Needs assessments should be conducted at the organizational, job and individual levels. At the organizational level, a needs assessment should assess current and future training needs, identify existing gaps and recommend specific training and development required to close the gaps. An organizational needs assessment is client-based and considers organizational objectives and strategies.

A job (or task) needs analysis identifies the specific skills, knowledge and abilities (KSAs) needed to perform the tasks in a current or future position (Jackson and Schuler, 2006). A job analysis identifies the training requirements for the job. Additional sources include interviewing the incumbent and the incumbent's manager to identify specific skills, knowledge and behavior required to successfully do the job. The goal of a job needs analysis is to define what successful performance looks like and identify the KSAs required.

An individual needs assessment identifies the KSA gaps between existing and required performance. A good method to assess individual needs is to measure performance against objectives. This is discussed in the performance review where strengths and weaknesses can also be identified. Observation is another way to conduct this needs assessment.

Needs assessments can be conducted by examining the existing (or extant) data, conducting individual interviews or focus groups, implementing surveys, using multi-rater assessments, assessing employees through various tests, and reviewing individual, functional unit and organizational performance records.

#### **How will training content be developed or obtained?**

Training content can be developed or purchased. Some training may need to be developed internally. If so, given the limited HR staff, how will this be done? Using SMEs and/or an outside trainer is a possibility. Buying training programs off-the-shelf is also an option. However, off-the-shelf training products are generally not customized to the individual organization. Consequently, customization costs must be considered. Cost, time to delivery and size of target audience are also factors to consider.

#### **How will training be delivered (e.g., classroom, intranet, blended, self-study, etc.) and by whom (internal employee or external consultant/trainer)? Provide a rationale for your decision.**

It is important to match delivery methods to content and audience. Some training (such as new employee orientation) can be self-study; employees can receive individual training material as such as workbooks or CDs. Some of the new-employee orientation, though, may need to be classroom-based. If the target audience has computer access, training can be delivered by Intranet, internet or CD. Classroom training is always an option, but timing and space may be issues. When planning training, keep in mind that managers and professionals usually have more flexibility in their schedules than hourly employees do. This will affect classroom delivery. Consider using job assignments and job rotation to provide depth and breadth of training.

**Some criteria or decision factors in training delivery include:**

- Costs to design/develop and deliver internally or hire external designers and facilitators.
- Availability of HR employees during training.
- Internal/external HR design/development expertise.
- HR employee's perceived credibility.
- Audience preference for different methods of delivery.
- Time to delivery—it takes longer to develop an online course than a classroom exercise.
- Number and location of training deliveries. If the entire organization needs to be trained in remote locations and quickly, you may need outside resources.

**What processes and instruments will you use to evaluate the program's effectiveness for each group?**

Kirkpatrick's four levels of evaluation is the model generally used for training evaluation. These levels are discussed extensively in *Evaluating Training Programs: The Four Levels* and are summarized here for your reference.

**Level 1: Reaction**

Level 1 assesses participants' reaction to the training. Participants are asked to complete a survey at the end of the training. The survey asks participants to indicate if training objectives were met, rate facilitator skills, assess the relevancy of content and rate the appropriateness of instructional/learning strategies, materials, group interaction, etc.

**Level 2: Measure learning**

Was there a change in knowledge, skills or attitudes? Learning can be measured through tests for knowledge, assessments of performance during role-plays, demonstrations, case studies, projects, work products, etc. These instruments, developed specifically for the training, are used during the learning and feedback is provided during the learning activities. To accurately assess a shift in learning, there a baseline must be established by administering a pre-test and post-test.

**Level 3: Assess behavior change on the job**

This is also referred to as transfer. Are participants using the new knowledge and skills on the job? To what extent? To assess this, HRD professionals can follow up on performance contracts, action plans, work products and similar transfer strategies to determine the extent to which these are being completed. HRD professionals can also conduct individual interviews of training participants, their managers and/or peers or conduct focus groups to determine transfer. Surveys can also be used.

Another consideration in assessing learning transfer involves the environment. To what extent does the environment enable or hinder the use of the new KSA? The same assessment methods can be used.

**Level 4: Measure results**

Measure any changes in the initial business metric addressed by the training. Did the metric (sales, defects, turnover, etc.) change? The return on investment (ROI) can be calculated if the dollar value of the change in the metric (benefit) and total program costs are known. When measuring results, it is important that only results due to training are considered. To do this, separate the variables influencing the change in the business metric. Methods to measure results include tracking the business metric, conducting individual interviews of participants and their managers, conducting focus groups, and using surveys.

## PART V: DEVELOPING THE HR FORECAST

- A. Develop a three-year HR forecast (prediction of the future) using the following assumptions:
1. Labor supply/demand will become more rigorous (demand for workers will increase, but the labor pool will remain the same or shrink). Labor costs will increase.
  2. Demand for Motors and More products will continue to increase. Production defects will also continue to increase.
  3. Motors and More's workforce will become more diverse as the company hires more Hispanics, Kurds and persons from alternative workforces.
  4. The president will start another company and will hire someone to manage the daily operations of Motors and More while he takes on more of an overseeing role.
  5. Motors and More will decide to develop an additional product to broaden its portfolio. There is no existing capacity for the product, nor do the existing production lines meet the manufacturing requirements for the new product.
- B. Prepare a 20-minute presentation, including discussion.

### Teaching Notes

[A] Develop a three-year HR forecast (prediction of the future) using the following assumptions:

**1. Labor supply/demand will become more rigorous (demand for workers will increase, but the labor pool will remain the same or shrink). Labor costs will increase.**

While the organization must continue to look for non-traditional recruiting sources, it must start planning to replace labor with technology. Motors and More can also consider outsourcing some work, such as maintenance and cleaning or training employees for other positions.

Assuming that Motors and More has added second and third shifts and that there is neither space nor employees for further expansion, Motors and More could consider building second facility outside of the area but still within the United States. Remember that even though the president (who is also the owner) is leaving, he still owns the company and influences strategic direction. Given his desire to stay local, you may be able to go outside of the area but not off-shore.

As employees in sales leave, Motors and More could expand the customer service department and add sales responsibility. Customer service representatives could sell Motors and More products. This could support existing customers and add telemarketing to new customers and markets. Sales positions could also shift to operations or manufacturing. However, students should be cautioned to analyze the pros and cons of doing this, in part, to determine the effect on the marketing and sales departments.

**2. Demand for Motors and More products will continue to increase. Production defects will also continue to increase.**

Production defects are costly to the organization. An analysis should be conducted to determine the root cause of the increasing defect rate. It is tempting to assume that lack of training is the problem and therefore training is the solution. This may not be so. Given the increased output demand, there could be machine maintenance issues. Speed may cause carelessness. A unit-produced incentive might be driving output at the expense of quality. Employees may be tired of working overtime or perhaps don't care about quality. It could be that there is lower quality of raw materials. The root cause must be determined and then addressed.

Adding staff in quality control will increase costs but will not address the issue of increasing defects. Quality control catches the defects after production and is not a solution to reducing defects.

**3. Motors and More's workforce will become more diverse as the company hires more Hispanics, Kurds and persons from alternative workforces.**

The labor shortage has required Motors and More to hire a more diverse workforce. To stay productive and meet customer needs, the organization must actively manage diversity. Motors and More must ensure that diversity is valued within the organizations and that new employees are trained to have the necessary skills to do their jobs.

Motors and More may want to consider ESL training if necessary. In addition, Motors and More may want to consider offering cultural training on the cultures represented in the company and how to manage and value diversity. Management modeling and coaching may also be important. If the work environment is a team-based structure, team training will support productivity.

Because of the current lack of diversity among the management team (there is just one female supervisor while all the other managers are men), HR should conduct a job analysis to determine if the difference in title (and most likely pay grade) is justified. If customer service expands to include outbound responsibilities, a job reevaluation would be required.

HR will want to increase minority hiring to provide a more balanced workforce and better reflect the local population. The practice of seniority-based promotions should change to the practice of hiring the best, most qualified person for the job. Changing these practices should improve employee relations and reduce the chances of a discrimination lawsuit.

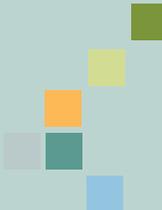
**4. The president will start another company and will hire someone to manage the daily operations of Motors and More while he takes on more of an overseeing role.**

Succession planning is a must because the president is leaving the organization. Students must determine if there is anyone (by position--since we don't know performance) inside the organization who can assume the president's role or if it is necessary to go outside of the organization. How will the organization train a current employee to assume the role? Coaching, job rotation, work assignments and outside development are all training possibilities. Consider that the managers have only functional area experience and have managed other functions.

If Motors and More decides to hire from outside of the organization, an executive recruiter will most likely be engaged to find the appropriate person. The ideal candidate should have broad management experience, be able to work within the organization's culture and take the appropriate steps to gradually change the organization's culture. In addition, the candidate must be willing to relocate to a small town.

**5. Motors and More will decide to develop an additional product to broaden its portfolio. There is no existing capacity for the product, nor do the existing production lines meet the manufacturing requirements for the new product.**

The new product will require a new production line and more staff. Since the current facility cannot accommodate an expansion nor are there available workers, this is a good opportunity to establish a second manufacturing facility. Given the president's preference, it will need to be U.S.-based. It would make sense to stay in the South because of lower wages and fewer unions. This expansion will require additional labor forecasting, as the current and new operations must be taken into consideration.



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