

Human Resources

Role in

Strategic Acquisition

Project: Human Resource's Role in Strategic Aquisition

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Executive Summary

This document intends to investigate the validity of the current Human Resource methods used by Wordsmiths as it pertains to the amalgamation of Mainly Books and the existing plans to expand the companies position as online retailer and book publisher. It will attempt to determine the impact of this growth on the company and analyse current market trends and literature to determine a suitable method of Human Resource strategic planning and development.

The investigation found that the issue of age based employee selection was not supported by current research and the option of a more diverse workforce provided a greater customer experience and a greater variety of skills. The possibility of retraining existing staff was found to be preferable to redundancy in most cases. It was found that many companies outsource a wide variety of Information Technology systems and tasks, which in turn allowed them to focus more on critical business process and provided a greater chance for growth and stakeholder return.

An analysis revealed the option of outsourcing the payroll function to a specialised provider would allow the Human Resource department to be utilised more effectively as a strategic partner in business development. This will allow a more effective management of the current Human Resource information management system and allow better identification of over-staffing issues, better analysis of staff distribution and a method of planning employee training and development to reduce the need to make costly redundancies and employee hour reduction. It was shown that the current method of combining statistical data and employee feedback should be expanded and developed fully to gain a deeper understanding of local demographics and needs in a national marketplace along with a quantifiable array of statistics to allow trend projections and detailed analysis.

The following points were identified;

- The selection criteria for employee selection should be based on manager input and performance metrics not based on age
- An Investigation should be made into outsourcing the function of payroll
- The Human Resource department need to develop a methodology of analysis to allow a greater depth of analysis into Human Resource strategic management
- Continue and expand the current process of combining quantitative and qualitative data for strategic decision making.

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1.0 Introduction

1.1 Background

Wordsmiths book retailers, currently operating 32 stores spread throughout New South Wales, Queensland, Victoria, South Australia and Australian Capital Territory, have recently acquired Mainly Books. Mainly Books currently operates 18 stores nationwide including Western Australia, Northern Territory and Tasmania. This gives Wordsmiths an opportunity to entrench themselves as a major player with complete national coverage.

Currently six hundred (600) staff are employed by Wordsmiths, of which, half are full time with the remaining divided between part time and casual status. Human resource functions are managed at a company level based on statistical analysis and qualitative input from store managers. Mainly Books employees two hundred and twenty five (225) staff, most of which are full time. Recent analysis has shown Mainly Books to be somewhat overstaffed and out of balance with reference to full time and part time or casual staff. As it stands, a possibly eighty (80) full time staff need to be retrenched, retrained or receive a reduction in work hours. Mainly Books micro manage human resource functions at a store level and use outsourced payroll functions.

It has been determined by the CEO and stakeholders that an investigation into human resources planning and practices be done to identify challenges faced by the merger and to set forth a review of possible directions

1.2 Scope

This document plans to layout the initial challenges encountered by Wordsmiths as a result of the acquisition of Mainly Books and intends to discuss the possible options available and the consequences of pursuing such options.

An analysis of the current trends in Human Resource Management will provide a suitable grounding on which to develop a process for managing current and future human resource process for the company. Focus will be directed towards information management of the current data and migration of the Mainly Books data. Rationale is given for possible options to outsource tasks and systems and a brief evaluation of current legal and ethical issues relating to redundancy will ascertain the direction to be taken when designing a process of reducing current employee levels.

1.3 Assumptions

This document assumes that the current plans to expand Wordsmiths presence into online retail and development of the proposed publishing service are accepted as forthcoming and imminent.

2.0 Human Resource Planning

2.1 Redundancy and Current Over-staffing

After a review was made of the current financial condition of Mainly Books, it was determined that the company's number of full time staff, being two hundred and twenty five (225), was causing undue financial strain on the business. From a relational standpoint to the current levels maintained by Wordsmiths, eighty (80) full time staff need to be reduced to part time or casual contracts, undergo retraining for the imminent restructuring and expansion, or be offered redundancy.

It was felt that a viable option might be to offer staff closer to retirement age redundancy. Recent trends in human resource analysis and theory have shown that, careful hiring practices providing, older workers can fill a range of company positions, from CEO to consultant to customer service representative (Goldberg, 2000). The study performed by Goldberg focused on a selection of large and well established British retailers such as Sainsbury's and Tesco. Many such companies had removed their retirement age or staff and had found a much greater resource pool from which to hire from, as well as positive customer feedback concluding a mixed generational client base felt more comfortable shopping in a mixed generational environment.

Commonly, older generations are seen to have issues dealing with technology and difficulties obtaining new skills and abilities. This has been shown to be incorrect with studies done as early as 1998 by Hall and Mirvis show that statistics on 50+ as a growing user base of technology, specifically with respect to internet and related technologies, older workers are among those eager, if not anxious, to update their skills. The study concluded that evidence actually shows that with proper training, older workers are undaunted by technology.

It has been shown that although older employees were paid higher wages, they quit less often, which saves the company money in recruiting and training costs (Useem, 1998) and a study by the Society for Human Resource Management found that 57% of respondents agreed that age is not a barrier to training, and a majority confirming training costs are lower or equal to those of a younger generation. (SHRM, 1998)

2.2.1 Legal Ramifications

As stated in the Fair Work Act 2009 an employee whom has been working at the same organization for twelve (12) consecutive months or more is entitled to redundancy pay if the employee is terminated either;

- at the employer's initiative because they no longer require the job to be done by the employee or anyone (except where this is due to the ordinary and customary turnover of labour) or

- because of the insolvency or bankruptcy of the employer.

Regulations for a transfer of business allow for some leniency in this matter and states in Section 122(3) that if an employee rejects an offer made by the new employer that is:

- similar in terms and conditions to, and considered no less favourable than the terms and conditions of the first employer at the time of termination; and
- recognizes the employee's service with the previous employer

then the employer is not entitled to pay the employee redundancy pay.

When making plans to make any number of employees redundant, several factors should influence the decision to avoid potential legal or financial pitfalls. The latest and most relevant information should be sought regarding the proposed redundancy in accordance with a modern awards or enterprise agreements to ensure that all obligations, legal or otherwise are met. Failure to comply with the NES can result in penalties of up to \$10,200 for an individual and \$51,000 for a corporation, per offense

Attention should be focus on retraining and redeploying staff when applicable. Redundancy payouts can be a costly experience for some companies as can the costs and time involved in seeking employees to fill new or alternate roles.

2.2 Outsourcing

Outsourcing has been described as the contracting with an external party to provide services or products that could be provided by an internal source (Carey et al., 2006) and has been seen as a way for an organization to narrow the business process and function of the business to core process and move non-core administrative or technical services to a specialized party (Quinn, 1999; Carey et al., 2006).

Organisations have been significantly increasing their reliance on outsourcing their information systems and information auditing for over a decade (Baldwin et al. 2001) and have seen benefits s reduced operating costs, better service and access to new technology and more task focused staff that allow for greater output and productivity (Quinn, 1999). This is supported by the perceived expertise brought forth by the specialization of the outsourcing provider and faster access to technology (Carey et al., 2006).

Currently, Wordsmiths manage their own payroll system, which is maintained by the Human Resources department. With the impending amalgamation, the department will be overburdened with the need to source and incorporate the

Mainly Books employee information, manage a 25% increase in employees and develop training and recruiting plans for the new business models. To fully realise the strategic potential of Human Resource planning, it should be seriously considered that payroll functions be outsourced to specialist providers. This will allow a transfer of risk and responsibility of management (Baldwin et al. 2001) under a service level agreement and has shown to reduce costs (Currie, 1996) with benefits filtering down to all aspects of the organisation (Baldwin et al. 2001).

2.3 Human Resource Development

When attempting to manage human resources and prevent the problem of over or under staffing Wordsmiths stores, many factors must be incorporated into the decision making process. The debate between research methodologies has been the subject of numerous studies, experiments and reports. Many enterprise environments often try to rely on purely numerical and empirical data, but as stated by Charoenruk (2006), measurements can be useful in displaying how often or how many people behave in a certain manner but often fail to answer why. Quantitative research relies on the analysis of a subset of data, or a sample. In the case of Wordsmiths, this translates to the current customer base and sales trends and might fail to capture external trends and demographic influences. To alleviate this, it has been found that through a sufficient analysis of past and present data, a relationship between the variables may enable accurate prediction and control over future trends (Charoenruk, 2006).

A weakness in a solely quantitative methodology is the detachment of humanism on the decision making process. Cormack (1991) found that people are often expected to act on data which they have no knowledge of or contribution to and are treated as merely sources of data. Qualitative data collection on the other hand allows the employer to develop a relationship with the employee and obtain first hand knowledge and experience although a relationship between the researcher and subject may distort the findings (Charoenruk, 2006). Qualitative research allows for ethnographic and demographic factors to be taken into account and has been found to increase the employees knowledge and perspective of the organization (Melia, 1982).

Currently Wordsmiths utilizes a combination of qualitative methods (store manager input) and quantitative methods (analysis of sales revenue) to determine human resource levels. This has proven to be effective as, choosing just one methodology would reduce the perspective of the research and deprive the benefits offered by a variety of methods (Duffy, 1996) and it has been shown that qualitative research, when combined with quantitative research can provide a deeper understanding of the meaning and implications of the findings and are ideally used in combination (Charoenruk, 2006).

3.0 Human Resource Information Management

Wordsmiths currently has a Human Resource Information Management System capable of handling the current and impending employee base. To bring the system up to date, the data entry of all transferred employee's from Mainly Books is required. Currently there is almost no available HR information on past and present employees so it will be an immediate requirement to collect all available information from the store managers and prepare to gather all missing information during the transfer process. Our current system is in-line with current market trends which indicate that off-the shelf (54%) is still the most popular option, followed by external vendor development (27%) and customized software (14.3%) (Teo et. al. 2001).

With the recommendation to outsource payroll tasks to an external vendor, it would be to the companies advantage to make full use of the HRIMS to provide appropriate metrics to provide strategic planning and better employee asset management. Research and statistics show that most HRIMS systems are used for payroll and employee database features rather than strategic purposes (Groe et. al. 1999, Teo et. al. 2001) and business often see adequate training as an unnecessary expense and systems are not utilized to their full potential. Succession planning, carer development, recruitment metrics and turnover analysis are all vital aspects of human resource planning and strategic development and would allow far greater control over the increasing employee base at Wordsmiths.

A system that allows for quality reporting can provide detailed labour analysis to determine costly over-staffing issues, as seen at Mainly Books. Turnover reports can show potential issues at a store level, not evident through a macro view, which can reduce expensive recruiting costs. With the expansion of services Wordsmiths offers imminent, a detailed employee database with attention paid to career planning and development can provide a better view of training opportunities to avoid potentially costly redundancy payouts and a greater skilled workforce. HRIM systems have the potential to be an enterprise-wide decision-support system that helps achieve both strategic and operational objectives. (Groe et al. 1996). It has been shown that adoption of HRIMS functions can provide greater strategic decision making, greater business intelligence reporting and better coordination between functional areas of an organisation (Teo et. Al 2001).

4.0 Conclusion

The consolidation of Mainly Books poses many questions and challenges previous unseen by Wordsmiths. The current human resource work-flow is unequipped to deal with both the need to

integrate the influx of employee's by manually sourcing and piecing together the decentralized employee data and at the same time provide valuable business intelligence analysis to strategically manage the growth of the company and it's new ventures.

The question of redundancy, especially given the generational bias of the target employee's, is a contentious issue, and one of much debate. The research undertaken and the analysis presented illuminates a different path and offers a chance to diversify the skills and expertise brought to the company. It was shown that offering retraining opportunities to existing staff closer to retirement might offer a more cost effective method of reducing the current overstaffing at the Mainly Books stores.

Outsourcing payroll functions was found to be an appropriate and viable option with examples found of successful outsourcing to support this assumption. This has been shown to allow the company to focus on core business process and maximize the uses of it's current IT assets and Human Resources department, while at the same time devolving the need to maintain a dedicated IT infrastructure reducing the long term cost of hardware and maintenance and allow specialised providers to assume risk and accountability. By removing the duties of payroll from the human Resource department it will allow the current HRIMS to be utilised fully. After the integration of the Mainly Books employee's the system will be used to monitor employee levels, turnover rates and employee progression and development to allow strategic decision making that will greatly assist in maintaining high profitability and minimising expenditure while at the same time ensuring a skilled, diverse workforce with a sense of organizational citizenship and identifiable culture.

4.1 Recommendations

- Approximately eighty (80) employee's will need to be either retrained if possible, or be offered a new contract with reduced hours or face redundancy. The option to re-skill will prove to be most cost effective for the company. The selection criteria should not be based on age, but rather on store/area or regional manager input and performance metrics if available.
- New contracts need to be drawn up for all transferring employee's. It is possible that some staff will not accept the new contract and a natural attrition rate might allow for less reliance on redundancy or reduced hours.
- Investigate and develop a plan to outsource the function of payroll to a specialized provider
- Integrate the Mainly Books employee details into the HRIMS. This combined with the re-tasking of the Human Resource department will allow a much greater depth of analysis into Human Resource strategic management.

- Continue and expand the current process of combining quantitative and qualitative data for strategic decision making. By using both statistical analysis and store manager feedback, it allows a more detailed analysis of the current Human Resource climate.

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