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ABSTRACT

For many companies, in case of an acute shortage of working capital, the human resources becomes the main competitive advantage. In fighting against the backdrop of the economic crisis, the quality characteristics of personnel are particularly important as only highly skilled workers with creative thinking can find solutions for unusual situations that arise due to the recession of the world economy. The major factor that directly affects the quality characteristics of the staff and the cost of the human capital of the enterprise as a whole is a system of personnel development, the main element of which is training. This system is a key component of the human resources management in general and helps in strengthening the competitive advantages of the enterprise market in particular.

Key words: personnel, training, human resource management



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The paper studies theoretical foundations of the staff training and development activities aimed at improving training of the personnel, implemented by the international Ernst & Young Corporation. In order to achieve the goal of the project, it is necessary to solve the following problems: examine the theoretical foundations of learning within the organization, analyze peculiarities of training in the international Ernst & Young Corporation and identify its current deficiencies, as well as develop a strategy for improving the training within the organization. The object of study is a system of personnel management in an international Ernst & Young Corporation. The paper discusses the reasons of negative effects caused by the increased personnel turnover. These reasons include the low level of motivation and consequent pure work quality that leads to growing number of the customer complaints.

Discuss how the Company Uses Its Human Resource Management Strategy to Support Its Business Strategy

The effectiveness of any organization is primarily determined by the knowledge, skills, and attitude of the staff (Vance, 2006). If the company recruits people with necessary knowledge and skills, according to the jobs model parameters, the main factor that contributes to further successful development of the organization is training.

Education of staff development is essential for the successful



functioning of any organization. Scientific and technological progress, as well as global competition, poses new requirements for Ernst & Young Company to improve the quality of education. Today, the scientific leadership of this organization is the key to the management effectiveness. The quick technological progress significantly speeds up the aging process of professional knowledge and skills. An engineer, which graduated from college in the middle of the last century, cannot take care of the professional development of the rest of his or her working life – the institute's luggage seems to be enough. The paradigm of stability based on the accumulated knowledge and experience of a systematic information approach to education must be reconsidered in the light of interdisciplinary knowledge, complexity, and ever-evolving educational process focused on the intellectualization of personality and development of creativity.

According to the goals and urgent needs of the analyzed company, the prospect of staff development is a complex, multifaceted process of training the staff on the new production functions, engaging in new posts, and taking up new challenges ("EY: On the Urgent Need to Transform IT Security," 2013). The training procedures include a variety of activities used for professional development: seminars on strategic management for the company's supervisors, training promising students of the business schools, learning foreign languages by the members of the marketing department, and rotation of the ordinary employees and managers. There is a special control system of professional development progress – professional management education, training the allowance managers for career development. Ernst & Young Corporation has special departments of professional development, which are led by the head of the board or vice president, underscoring their importance to the organization.



Evaluate How the Company Is Leveraging Its Human Capital to Contribute to the Financial Performance of the Business

Currently, Ernst & Young Corporation is a global partnership of the national audit companies, the largest of which operates in the United States. The corporate network has 140 associates in five geographic regions (Berndt, 2013). This integrated business model enables the company to meet the needs of the customers from all over the world, and comply with the legal and regulatory requirements that are affecting the operations of the organization (Berndt, 2013). Such extensive corporate structure requires an extremely high-level management and coordination in the decision-making process. This structure allows providing a wide range of services and meeting the needs of the maximum number of clients in order to solve the most complex and specific tasks. Any project is managed by a team of employees who specialize in this particular area; in the shortest time possible and at a high quality, they perform the tasks set by the client. The basis for a successful and effective operation of the corporation, of course, is personnel – those professionals that ensures the rapid and qualitative problem-solving (Ernst & Young, 2008). Consequently, the work of the staff is one of the priorities of the company (EY, 2013).

Discuss How the Legal and Regulatory Environment Impact Human Capital Management

According to the *Regulation on the Department and Job Descriptions of Its Employees*, the training activities organization and implementation belongs to the functions of the Department of



Personnel Management (Vining, 2012). Education in the company is divided into technical and non-technical trainings. Technical training covers different topics related to the core business of the company and considers a program of audit, accounting, and the law in this area, as well as specific problems associated with the audit and consulting activities. The purpose of technical training is the development of a full range of the staff knowledge and skills necessary for performing their duties.

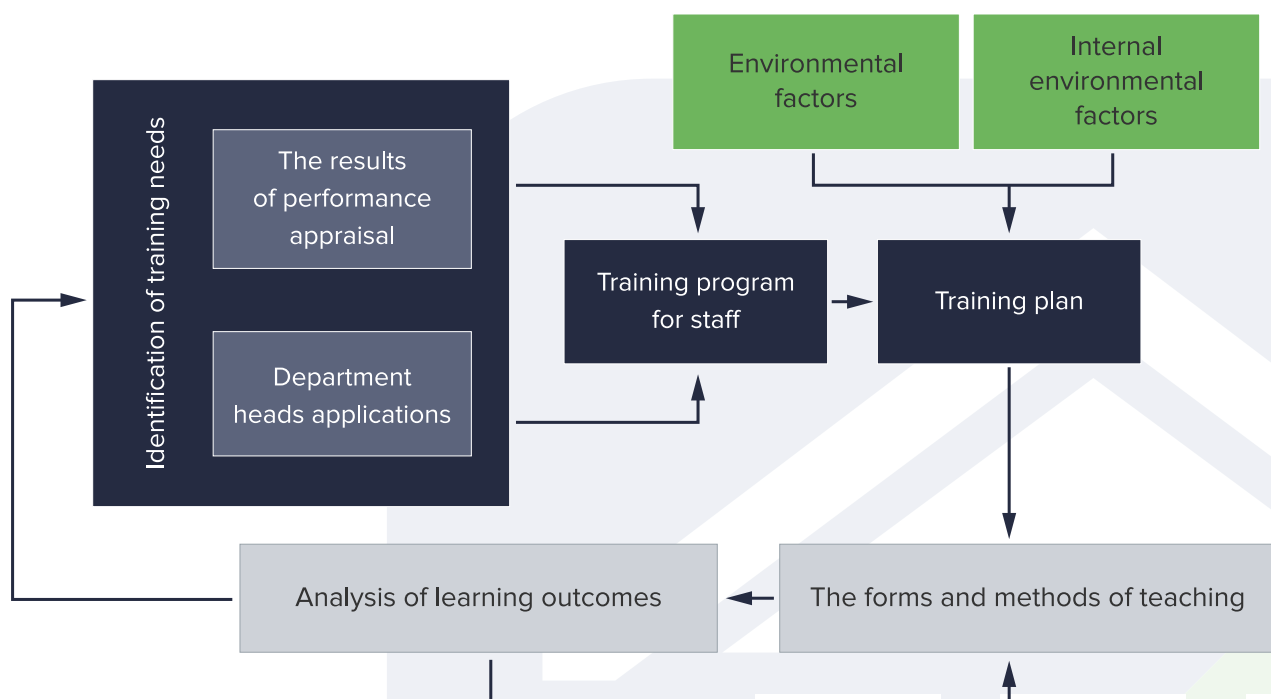


Figure 1. Diagram of training at Ernst & Young (Noe, 2009).

Non-technical training is related to the development of the auxiliary personnel skills, such as teamwork, communication, goal setting, conflict management, and decision-making. The order of the training was recorded in the ***Regulation on Training***. This document contains the following sections (Noe, 2009):

- Goals and objectives of the corporate training;



- Types and methods of training used in the company;
- Frequency and rules of the personnel certification;
- Application of the procedures for training (from the heads of departments);
- Procedure for the creation of the study program;
- Procedure for preparation of the training plan;
- Instructions for data collection and analysis conducted on learning.

Ernst & Young Corporation employs a variety of methods: lectures and seminars conducted by either internal trainers and specialists, or external experts of Representative Offices in other countries, secondment of staff to other offices or directly to customers, as well as issuing regular information and analytical reports for internal use. The in-service training of accountants and auditors is intended for young professionals and development of strong technical knowledge in the field of accounting and auditing. The classes are held in the training center; a group is formed according to the certification applications and departments. There are special programs for executives aimed at improving their skills in planning, decision-making, and management. (Dizik, 2009).

Evaluate the Company's Hiring and Employee Retention Strategies

The information sources for writing works include internal documents of the company, its financial statements, results of the inquiries, as well as references and regulations (Ernst & Young, 2008). The main task of the personnel management is the most effective use of the staff skills in line



with the objectives of the enterprise and society. It should ensure the continued health of each person and facilitate constructive cooperation between the team members and various social groups. The HR functions include different functions, rights, and responsibilities of the Department of Personnel Management, which are defined in the *Regulations of the Department of Human Resources* and, in particular, *job descriptions* for the HR professionals (Ernst & Young, 2008). Under this provision, *Personnel Department* is an independent department of the organization and reports to the Director of the Representative Office. Approval of the Regulation Department staff and job descriptions of staff members of the department are made directly by the director.

Ernst & Young Corporation is committed to the following basic principles of working with the staff: attracting the best talent; promotion to achieve results; creating a favorable environment for the professional fulfillment of employees, objective evaluation of the team as a whole and each employee in particular. Moreover, the company cares about the health, well-being, and social welfare of its employees.

The staff planning is carried out in the interests of the organization and its employees. Forecasting the needs of the workers is based on the existing and planned jobs, terms of organizational-technical activities, staffing and planning for the filling vacancies. The planner for the opening and closing timing of the new jobs is the manager of Personnel Management and works on a quarterly basis according to the approval of the Director of the Representative Office. The task of forecasting the staff is to meet the workers' requirements in the future, employing both internal and external sources.

The system of adaptation of the new employees, operating in Ernst &



Young, has a number of distinctive features related to the work policy that concerns the staff in the company. The main characteristic is that there are several types of these programs, depending on the category of employees, which the program targets. The first type of adaptation program is designed for the graduates. It is the most significant and resource-intensive program as this category of employees is the main driving force. The second type targets employees who come with experience from other companies. They are employed for supporting and strengthening the units or sections of the main business, but not taking up the initial positions.

Create a Training and Development Program that Would Be Appropriate for the Company's Management Team

We have analyzed the negative effects associated with the personnel training. If the effectiveness of the available social activities is assessed, one can identify both positive and negative changes. Among the negative effects of the above- indicated study, there are employees' dissatisfaction with the partial payment for training, increased staff turnover caused by lack of payment of mandatory staff training (for auditors, exam on the certificate of the auditor and the annual rate of confirmation certificate of the auditor), and intelligent overloads (visit form part of the study only after the operation). For clarifying these data, a survey has been conducted, the results of which are shown in Figure 2 below ("EY Reviews," 2014; "EY Employer Reviews," n. d.).



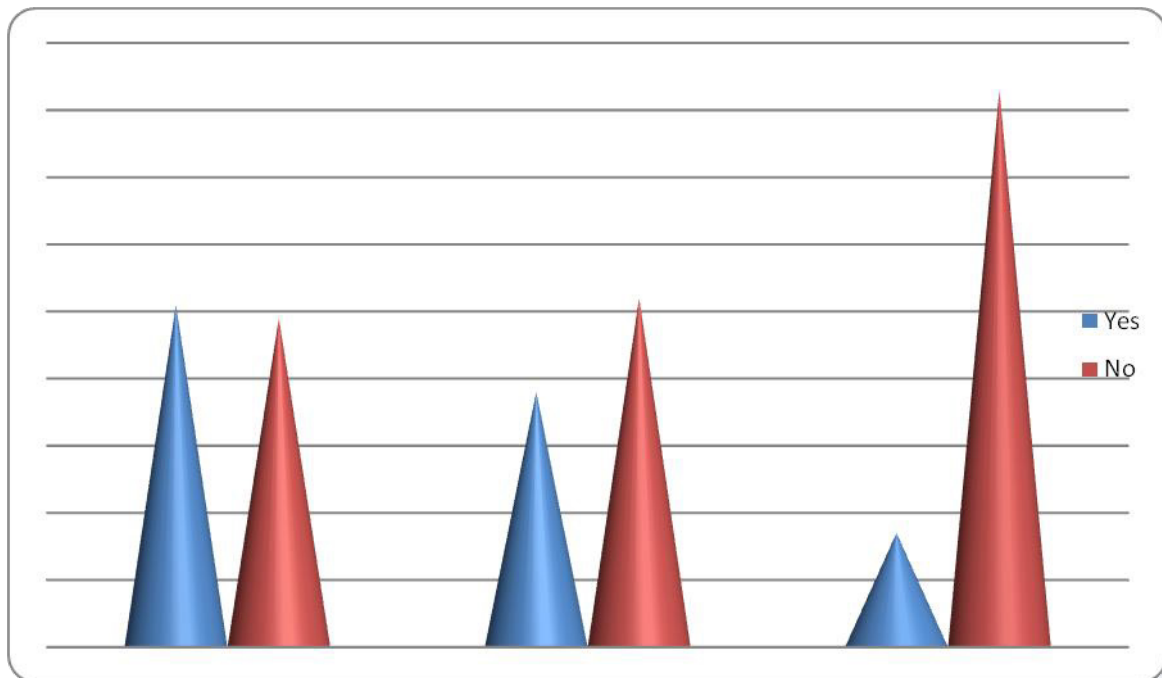


Figure 2. The results of the survey concerning the employees' satisfaction with the training.

It appeared that about half of the employees were not satisfied with the quality of education. Among the most common causes, there was the fact that the company did not pay (or paid a small percentage of employees) for the mandatory refresher training of auditors and obtaining international certificates of accountants and auditors while 85% of their major divisions was required to go through this training. Moreover, 17% of employees said that they were considering the possibility of dismissal because they either had no ability to pay for the mandatory training or did not want to do it ("EY Reviews," 2014; "EY Employer Reviews," n. d.). This reason can explain the increased turnover among the professionals. Based on the information obtained, one can conclude that incomplete payment of the trainings and its consequences have a negative impact on the staff motivation. The analysis reveals the following deficiencies: lack of mechanisms for drawing up the budget for training, lack of mechanisms for subsidizing the training of specialists, as well as incomplete identification of the



training needs. Moreover, the employees' initiatives are not taken into account, information on the need for non-technical training is not collected, and customer complaints are not analyzed.

The negative effects of imperfect training discontent manifested in the training of employees, increasing turnover, and reducing level of motivation, as well as decreasing quality of services, as evidenced by the results of the analysis of the customer complaints.

Evaluate the Company's Compensation Strategy

At Ernst & Young, it is considered that to spend on training few percent of the fund is more than enough. A simple estimate shows that, in this case, the cost of training is unlikely to amount to more than 1-2% of the company budget. However, the need to develop a plan for training costs is obvious. It helps the management of the corporation in planning and controlling the costs in general, and the provision of training to delegate the Department of Personnel Management, which together with the line managers make decisions concerning specific trainings, guided training plan, and budget.

The document approved by the management of the company concerns the staff training; it contains a total expenditure of the training costs, broken down by the planning period (quarter). In the quarterly budget scenario, seasonal factors are to be considered, namely smaller amounts of training in February-March ought to be planned due to the heavy workload of the employees associated with the mandatory audit. There are few different approaches to the budget planning. To begin with, this planning of the budget is based on the learning objectives



without limiting the total number. The plan outlines the strategy and business plan of the Ernst & Young Company. Hence, planning the trainings should be specific and consistent. Each of the major goals of training must address certain areas of study and budget line (Figure 3). The costs of the training activities consist of multiple components, including direct and indirect costs. Direct costs involve payment of the learning process itself, for example, teachers salary for the classes, different training handouts and other materials needed, as well as the cost of the handouts production. Attendant costs include the rent for space and equipment, costs of consumables, travel, accommodation, and food of the learners and teachers.

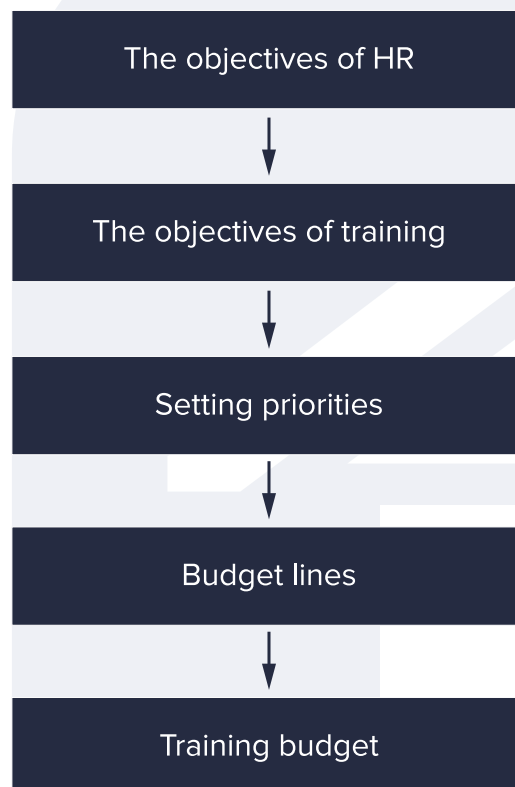


Figure 3. Procedure for planning target budget.

Indirect costs include salaries of employees during training and lost profits of the company caused by the workers' absence at the



workplace. Indirect costs are not included in the budget, so no further consideration need to be taken.

Discuss How the Company Can Gain a Competitive Advantage by Adopting a Strategy of Diversity in Its Employee Base

The company, in fact, has long operated in line with the strategy of improving the performance of different working places. Having quite a numerous staff, Ernst & Young has involuntarily mixed many different cultures of its employees. It definitely played a positive role in creating a creative and modern potential of the team as a whole. At the same time, in this situation, management should pay sufficient attention to avoiding potential conflicts in such a diverse society. Therefore, this is perhaps the only fully adjustable negative aspect of the strategy. Therefore, there are many ways to choose successful implementation of the diversity strategy. However, some of them should be deeply analyzed in order to avoid any inconveniences within the workflow process. Such inconveniences may originate from different religion, race, and status aspects. Therefore, it is of a great importance for Ernst & Young to feel and thoroughly look for the attempts to manage the process, as the demographics of the personnel tends to expand.

Recommend a Human Capital Strategy for the Company

The major factor that directly affects the quality characteristics of the company's staff and the cost of the human capital is a system of



personnel development, the main element of which is training (Merchant, n.d.). As follows from the analysis, there are some weaknesses in training. The company needs to take advantage of the existing opportunities and risks, in order to develop an effective methodology for the training payment at the expense of the organization. The main purpose of this model is creating a system of compensation for the training costs for all categories of employees. The reason for the development of the document is the fact that the company does not repay the required courses for auditors, which cause dissatisfaction and general demotivation of the staff. The basic principles of the strategies include provision of highly qualified personnel, opportunity to offer the role of the initiator of the learning process both to the organization and the employee, taking decisions on subsidizing the education on the basis of clear rules depending on the worker's experience, type of training, and the emergence, Rules for the Treatment of subsidies; the availability of the necessary documents for subsidies, as well as guarantees and compensation in case of an employee apprenticeship contract. In addition to receiving compulsory education, this model allows employees to take the lead in training, giving an application in the prescribed form. Moreover, the possibility of partial or full payment of the tuition fees is a strong motivating factor for staff, enabling more employees to improve their skills.

Conclusion

The analysis of the company's activities in training the personnel has revealed the shortcomings that hinder the effective development of the organization. They include lack of mechanisms for budgeting and training subsidies, partial satisfaction of employees with the compulsory



education, and incomplete identification of the training needs.

The negative effects, in turn, cause increased turnover, reduced level of motivation and quality of work, as well as ever-growing number of the customer complaints. The analysis of these phenomena allowed determining the ways of improving the staff training. In the course of the project preparation, draft measures to improve the staff training, implemented by Ernst & Young International Corporation, have been outlined. The project aims at designing an effective training in the organization in order to mitigate the turnover rate, growth of the labor productivity, motivation, and social security of the staff. As a result, the following documents were developed: the methods of payment for the trainings through the organization and apprenticeship agreements, and procedures for planning the training costs and budget for a period of one year.

