

LER 568: FIRM PERFORMANCE & HRM
School of Labor and Employment Relations
Office hours: By appointment, LER 211

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REQUIRED TEXTS (*purchase prior to class*)

- Brealey, Myers, & Marcus. *Fundamentals of Corporate Finance* (10th Edition): **NOTE THIS EDITION IS REQUIRED. Also: please buy a version that comes with the online “Connect” access. Purchasing Connect access is a course requirement.** We will use this online system for problem sets. There are options to purchase either ebook or loose-leaf versions of the text that come with Connect access. These are more affordable than the hardback version of the text.

Additional materials, including case studies, may need to be purchased throughout the semester.

OPTIONAL TEXTS (*do not purchase prior to class*)

*Berman, Knight, & Case. *Financial Intelligence for HR Professionals: What You Really Need to Know About the Numbers* (Harvard Financial Intelligence)

†Fridson & Alvarez. *Financial Statement Analysis: A Practitioner’s Guide* (4th Edition)

†Koller, Goedhart, & Wessels. *Valuation: Measuring and Managing the Value of Companies, University Edition* (5th Edition)

**This text covers the “big picture” aspects of accounting and finance, especially as they relate to HR management. I will start the class at a very basic level, but if you think I’m speaking a foreign language after our second or third class this book may help.*

† These texts take an in-depth look at financial statement analysis (Fridson & Alvarez) and technical valuation techniques (Koller et al.). Most students will not need these texts for our class. However, if you are interested in going deeper into the “nitty gritty” of corporate finance, these books are a good place to start.

COURSE OBJECTIVES

The course objective is to enable students to better understand how HR practices relate to classic theories, issues, and measures of firm performance. Much of the course overlays topics typically reserved for introductory finance and accounting classes with important HR issues. Practically speaking, the aim is to help students – many of whom will likely progress into leadership positions – communicate the implications of HR in ways that are compelling for financial officers and top corporate leadership.

To accomplish this objective, the class will progress through a flexible sequence of topics and learning goals. We will begin by establishing a compelling case for why HR departments should be (although often aren’t) treated as strategic partners with other departments (especially finance). Next, we will spend substantial time building a financial knowledge base, focusing heavily on financial statements, valuation techniques, and general finance-speak. Finally, at about the semester’s midpoint, we will begin aggressively merging our newfound finance-knowledge with HR topics. Using a variety of case studies, group projects, and lively discussion, we will critically analyze how different HR practices can be beneficial or detrimental to firm performance. At the end of the semester, students should feel comfortable talking about HR’s financial impact with a Fortune 500 CFO.

GRADES

| | <u>Weight</u> |
|----------------------------------|---------------|
| Exams (2, equally weighted) | 50% |
| Final Project/Presentation | 20% |
| Homework Assignments and Quizzes | 15% |
| Contribution to Class Discussion | <u>15%</u> |
| Maximum Total | 100% |

EXAMINATIONS

The examinations will consist of true/false, multiple choice, and short essay questions designed to gauge your mastery of the course topics. There will be questions that assess your knowledge of factual information and questions that assess your ability to apply relevant knowledge to a factual scenario. The testing domain includes all material covered in the course (readings, lectures, exercises, cases, videos, etc.), with material discussed during class emphasized and tested in greater depth. It is important that your responses to the short essay/answer questions not only be accurate, but also written professionally in complete sentences with correct grammar. You should craft your answers as responses to an actual supervisor. We will discuss the exams in the classes prior to their administration.

Unless there is prior approval from the instructor and a legitimate, documented reason for needing a make-up exam (e.g., illness, family emergency), examinations must be taken at the scheduled time. Failure to take an exam at the scheduled time will result in a grade of zero.

FINAL PROJECT

Your final project, which will be completed in small groups, will require an in depth examination of a critical investment proposal for an actual company (*to be named later*). Essentially, your job is to design, propose, and “sell” an HR initiative to a finance-minded company CEO. In addition to turning in a written product to me (*likely 10-15 pages – we will discuss details later*), you will present your findings and conclusions to the class.

The final project serves as your final exam and will provide an excellent opportunity for you to showcase your understanding of the finance/HR intersection. It is also representative of the challenges you will face in your eventual career, so I sincerely hope you take advantage of the opportunity.

HOMEWORK, QUIZZES, & DISCUSSION STARTER ASSIGNMENTS

Homework and Quizzes: There will be several homework assignments throughout the semester. In most cases, these will be short projects assigned to you at the end of class. I also reserve the right to administer brief in-class quizzes to reward students who have read the material prior to class. My intent is that these assignments will help reinforce your classroom learning and give you an opportunity to improve your grade.

You will receive a grade of zero for any assignment you miss and do not have a university-accepted, documented excuse. If you miss an exercise and are able to demonstrate a University accepted reason (e.g., illness with a doctor’s note), you will be given a chance to make up the exercise. Make-ups must be completed and turned in within 7 days of the missed assignment. It is your responsibility to find out if you missed an assignment and to check with me regarding the acceptability of your excuse. If you miss an exercise and do not have a legitimate reason, you cannot make it up and you will receive a zero on that exercise.

“Discussion Starters”: Small groups will be asked to provide a brief, 5-10 minute presentation that either highlights a relevant real-world example of the day’s topic or provides a thoughtful reaction to assigned readings. Discussion Starter assignments are classified as class discussion contributions when calculating course grades. We will discuss the discussion starter assignments in greater detail as the semester progresses.

CONTRIBUTION TO CLASS DISCUSSION

There will be many opportunities for student input, and it is expected that students will take an active role contributing to class discussions. I recognize that different students may have different initial comfort levels with expressing thoughts verbally in class. Over the course of the semester we will try to make sure that everyone participates and feels comfortable expressing opinions on finance and HR topics. I will call on students to answer particular questions, and I welcome questions and debate/discussions over class content.

(continue to next page for tentative course schedule)

TENTATIVE COURSE SCHEDULE (subject to change)

| <u>Session #</u> | <u>Topics, assignments, & exams</u> | <u>Assigned reading & materials*</u> |
|------------------|--|--|
| 1 (8/26) | Course Intro: The Intersection of HR and Firm Performance | TBD |
| 2 (9/2) | Finance, Corp. Governance, and the Institutional Environment | TBD |
| 3 (9/9) | Accounting and Financial Statements | TBD |
| 4 (9/16) | Accounting, cont'd, Intro to Financial Ratios & Other Metrics | TBD |
| 5 (9/23) | Ratio & Financial Statement Analysis (cont'd) | TBD |
| 6 (9/30) | Ratio & Financial Statement Analysis (cont'd) | TBD |
| 7 (10/7) | Exam 1 | |
| 8 (10/14) | Time Value of Money, Discounting, Present Value | TBD |
| 9 (10/21) | Investment Analysis & Decisions | TBD |
| 10 (10/28) | Valuation: Cost of Capital, Beta, CAPM, WACC | TBD |
| 11 (11/4) | Case Exercise | TBD |
| 12 (11/11) | Exam 2 | TBD |
| 13 (11/18) | Debate Class: Job Design and the Link between Finance, Operations, and HR Fall Break (11/21-11/28) | |
| 14 (12/2) | Group meetings | TBD |
| 15 (12/9) | Final Presentations | TBD |

**The utility of assigned readings is contingent on our progress in each class session. Thus, it is not possible to precisely schedule them at this point. However, I will assign readings at the end of each class. Compass will contain the most up-to-date assignment information.*

ATTENDANCE AND TARDINESS

Students are expected to attend all classes. Missed classes will affect the classroom participation grade.

It is disruptive and disrespectful to the class when someone arrives late. So, please be considerate. I strongly encourage you to come to class on time, preferably a few minutes early to prepare. If you think you are going to be late, particularly if it is going to be a chronic problem, then please come talk to me.

Make-up Policy. If an absence is excused, the student will be allowed to make up work according to university policy.

SEEKING MY ASSISTANCE

I am more than willing to meet with students to provide assistance with course material and/or other school and career related issues. **My sincere goal is to maximize the utility of this course and provide every opportunity for my students to be successful.** Please email me (or talk to me before/after class) to arrange a time to meet. I can usually be flexible on finding a meeting time.

Although I am here to help you, please do not wait until the day of the exam to ask questions about test materials. If you have a specific question or need general assistance, make sure that you discuss it with me (in person or via email) the day before the scheduled exam at the very latest. This rule is in place to ensure the fairness of exams. While I understand that preparing for an exam can be stressful (I've been there, too!), I cannot compromise the integrity of the test by providing last-minute information to select students. Remember, keeping up with the material as we go through the semester is the best strategy.

On a related note, please make sure that you stay on task by reading the assigned readings before the class meeting when that material will be discussed. This will not only assist in your understanding of the material discussed in class, but will also add to the overall quality of our class discussions. Based on past experiences, quality class discussions are an excellent way to better comprehend, retain, and enjoy class information.

SCHOLASTIC DISHONESTY

Scholastic dishonesty (including cheating and plagiarism) will not be tolerated. Scholastic dishonesty by a few is grossly unfair to the majority of students who are honest. Cases of apparent scholastic dishonesty will be pursued to the fullest extent allowed by University regulations.

As commonly defined, plagiarism consists of passing off as one's own the ideas, words, writings, etc., which belong to another. In accordance with this definition, you are committing plagiarism if you copy the work of another person and turn it in as your own, even if you should have the permission of that person. Plagiarism is one of the worst academic sins, for the plagiarist destroys the trust among colleagues without which research cannot be safely communicated.

Excerpts from the University of Illinois Student Code (<http://admin.illinois.edu/policy/code/>)

§ 1-401 Academic Integrity—Preamble

(a) The University has the responsibility for maintaining academic integrity so as to protect the quality of education and research on our campus and to protect those who depend upon our integrity. **It is the responsibility of the student to refrain from infractions of academic integrity, from conduct that may lead to suspicion of such infractions, and from**

conduct that aids others in such infractions (*emphasis added*). It is the responsibility of the faculty to establish and maintain an environment that supports academic integrity. An essential part of this faculty responsibility is the enforcement of existing standards of academic integrity. If faculty members do not discourage and act upon violations of which they become aware, respect for those standards is undermined. Faculty members should provide students with a clear statement of their expectations concerning academic integrity. In these regulations, “faculty” includes an instructor or authorized staff member who supervises any academic endeavor.

(b) Students have been given notice of this rule by virtue of its publication. Regardless of whether a student has actually read this rule, a student is charged with knowledge of it. **Ignorance of a rule is never a defense** (*emphasis added*).

...

§ 1-403 Penalties for Infractions of Academic Integrity

...In determining an appropriate penalty, the instructor shall also take into consideration aggravating circumstances, such as whether the student’s conduct was designed not only to advance his or her own grade, but to hinder the academic performance of others.

(c) The instructor may impose one or more of the following penalties for an infraction of academic integrity:

- (1) a written notice of warning with a copy to the student’s file in the office of the college in which the student is enrolled and to the Senate Committee on Student Discipline;
- (2) a reduced grade on the assignment;
- (3) a failing grade (zero if graded numerically) for the assignment;
- (4) a reduced grade for the course;
- (5) a failing grade for the course;
- (6) a denial of credit for the proficiency exam; or
- (7) any other penalty negotiated and agreed to, in writing, by both parties (not subject to appeal)

(d) The instructor may recommend to the department or unit executive officer (hereafter abbreviated DEO) that the student be suspended or dismissed from the University.

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ADA STATEMENT

The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you believe you have a disability requiring an accommodation, please contact the University’s disability services office.

WRITING RESOURCES

Writing is defined not only as surface features such as grammar, mechanics, format, and usage, but also includes the quality of the argument and critical thought, organization, and suitability of the writing to an audience. I have listed below some useful websites to assist you in improving your writing skills.

“Writing in College: A Short Guide to Writing in College” by Joseph M. Williams and Lawrence McEnerney: <http://writing-program.uchicago.edu/resources/collegewriting/>

“General Writing Concerns” from Purdue University's Online Writing Lab (OWL): <http://owl.english.purdue.edu/handouts/general/index.html>.

“Guide to Grammar and Style” by Jack Lynch: <http://andromeda.rutgers.edu/~jlynch/Writing/index.html>

“11 Rules of Writing” is produced by Junket Studies Tutoring: <http://www.junketstudies.com/rulesofw/>

“Writing Tips” by the University of Illinois’ Center for Writing Studies: <http://www.cws.illinois.edu/workshop/writers/tips/>

EMERGENCY RESPONSE RECOMMENDATIONS (FROM UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN)

The Department of Homeland Security and the University of Illinois at Urbana-Champaign Office of Campus Emergency Planning recommend the following three responses to any emergency on campus: **RUN > HIDE > FIGHT**

ONLY FOLLOW THESE ACTIONS IF SAFE TO DO SO. When in doubt, follow your instincts—you are your own best advocate!

RUN

Action taken to leave an area for personal safety.

- Take the time now to learn the different ways to leave your building **BEFORE** there is an emergency.
- Evacuations are mandatory for fire alarms and when directed by authorities. **No exceptions!**
- Evacuate immediately. Pull manual fire alarm to prompt a response for others to evacuate.
- Take critical personal items only (keys, purse, and outerwear) and close doors behind you.
- Assist those who need help, but carefully consider whether you may put yourself at risk.
- Look for **EXIT** signs indicating potential egress/escape routes.
- If you are not able to evacuate, go to an Area of Rescue Assistance.
- Evacuate to Evacuation Assembly Area and remain until additional instructions are given.
- Alert authorities to those who may need assistance.
- Do not re-enter building until informed by emergency response personnel that it is safe to return.

ACTIVE THREAT:

- If it is safe to do so run out of the building. Get as far away as possible. Do not go to the Evacuation Assembly Area.
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HIDE

Action taken to seek immediate shelter indoors when emergency conditions do not warrant or allow evacuation, such as for severe weather.

- Take the time now to learn the different ways to seek shelter within your building **BEFORE** there is an emergency.
- If you are outside, proceed to the nearest protective building.
- If sheltering-in-place due to severe weather, proceed to the identified Storm Refuge Area or to the lowest, most interior area of the building away from windows or hazardous equipment or materials.

ACTIVE THREAT:

- Lock or barricade your area.
 - Get to a place where the threat cannot see you.
 - Place cell phones on **silent**.
 - Do not make any noise.
 - Do not come out until you receive an Illini-Alert advising you it is safe.
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FIGHT

Action taken as a last resort to increase your odds for survival.

ACTIVE THREAT:

- If you cannot run away safely or cannot hide, **be prepared to fight with anything available to increase your odds for survival.**
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See also: <http://police.illinois.edu/emergencyplanning/general/> and <http://police.illinois.edu/emergencyplanning/floorplans/>