



# Introduction to Human Resource Management

## LEARNING OBJECTIVES

When you finish studying this chapter, you should be able to:

- 1-1 Explain** what human resource management is and how it relates to the management process.
- 1-2 Briefly discuss and illustrate** the important trends influencing human resource management.
- 1-3 Briefly describe** six important components or pillars of human resource management today.
- 1-4 List** at least four important human resource manager competencies.
- 1-5 Outline** the plan of this book.

For many people today, Upwork ([www.upwork.com/](http://www.upwork.com/)) symbolizes much of what's new in human resource management. Millions of freelancers, from graphic designers to translators, accountants, writers, and customer service agents register on the site. Employers then use it to find, screen, hire, and pay the talent they need online in more than 180 countries.<sup>1</sup>



## WHERE ARE WE NOW ...

The purpose of this chapter is to explain what human resource management is, and why it's important to all managers. We'll see that human resource management activities such as hiring, training, appraising, compensating, and developing employees are part of every manager's job. And we'll see that human resource management is also a separate function, usually with its own human resource, or "HR," manager. The main topics we'll cover here include **What Is Human Resource Management?**, **The Trends Shaping Human Resource Management**, **The Components of Human Resource Management**, **The New Human Resource Manager**, and **The Plan of This Book**. The framework above (which introduces each chapter) makes this point: That the firm's HR policies and practices should produce the employee skills and behaviors the company needs to achieve its strategic aims.

## LEARNING OBJECTIVE 1-1

**Explain** what human resource management is and how it relates to the management process.

**organization**

A group consisting of people with formally assigned roles who work together to achieve the organization's goals.

**manager**

Someone who is responsible for accomplishing the organization's goals, and who does so by managing the efforts of the organization's people.

**managing**

To perform five basic functions: planning, organizing, staffing, leading, and controlling.

**management process**

The five basic functions of planning, organizing, staffing, leading, and controlling.

**human resource management (HRM)**

The process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health and safety, and fairness concerns.

## What Is Human Resource Management?

To understand what human resource management is, it's useful to start with what managers do. Upwork is an *organization*. An **organization** consists of people (in this case, people like Upwork's own in-house Web designers and managers) with formally assigned roles who work together to achieve the organization's goals. A **manager** is someone who is responsible for accomplishing the organization's goals, and who does so by managing the efforts of the organization's people.

Most writers agree that **managing** involves performing five basic functions: planning, organizing, staffing, leading, and controlling. In total, these functions represent the **management process**. Some of the specific activities involved in each function include

- **Planning.** Establishing goals and standards; developing rules and procedures; developing plans and forecasts
- **Organizing.** Giving each subordinate a specific task; establishing departments; delegating authority to subordinates; establishing channels of authority and communication; coordinating the work of subordinates
- **Staffing.** Determining what type of people should be hired; recruiting prospective employees; selecting employees; setting performance standards; compensating employees; evaluating performance; counseling employees; training and developing employees
- **Leading.** Getting others to get the job done; maintaining morale; motivating subordinates
- **Controlling.** Setting standards such as sales quotas, quality standards, or production levels; checking to see how actual performance compares with these standards; taking corrective action as needed

In this book, we will focus on one of these functions—the staffing, personnel management, or *human resource management* function. **Human resource management (HRM)** is the process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health and safety, and fairness concerns. The topics we'll discuss should therefore provide you with the concepts and techniques every manager needs to perform the “people,” or personnel, aspects of management. These include

- *Conducting job analyses* (determining the nature of each employee's job).
- *Planning labor needs and recruiting* job candidates.
- *Selecting* job candidates.
- *Orienting and training* new employees.
- *Managing wages and salaries* (compensating employees).
- *Providing incentives and benefits*.
- *Appraising performance*.
- *Communicating* (interviewing, counseling, disciplining).
- *Training employees and developing managers*.
- *Building employee relations and engagement*.

And what every manager should know about:

- Equal opportunity and affirmative action.
- Employee health and safety.
- Handling grievances and labor relations.

### Why Is Human Resource Management Important to All Managers?

The concepts and techniques in this book are important to all managers for several reasons.

**AVOID PERSONNEL MISTAKES** First, having this knowledge will help you avoid the *personnel mistakes you don't want to make* while managing. For example, you don't want

- To have your employees not doing their best.
- To hire the wrong person for the job.

- To experience high turnover.
- To have your company in court due to your discriminatory actions.
- To have an employee hurt due to unsafe practices.
- To let a lack of training undermine your department's effectiveness.
- To commit any unfair labor practices.

Carefully studying this book can help you avoid mistakes like these.

**IMPROVING PROFITS AND PERFORMANCE** More important, it can *help ensure that you get results—through people.*<sup>2</sup> Remember that you could do everything else right as a manager—lay brilliant plans, draw clear organization charts, set up modern assembly lines, and use sophisticated accounting controls—but still fail, for instance, by hiring the wrong people or by not motivating subordinates. On the other hand, many managers—from generals to presidents to supervisors—have been successful even without adequate plans, organizations, or controls. They were successful because they had the knack for hiring the right people for the right jobs and then motivating, appraising, and developing them. Remember as you read this book that *getting results* is the bottom line of managing and that, as a manager, you will have to get these results through people. This fact hasn't changed from the dawn of management. As one company president summed it up:

For many years it has been said that capital is the bottleneck for a developing industry. I don't think this any longer holds true. I think it's the workforce and the company's inability to recruit and maintain a good workforce that does constitute the bottleneck for production. I don't know of any major project backed by good ideas, vigor, and enthusiasm that has been stopped by a shortage of cash. I do know of industries whose growth has been partly stopped or hampered because they can't maintain an efficient and enthusiastic labor force, and I think this will hold true even more in the future.<sup>3</sup>

With global competition and economic pressures, that statement has never been truer than it is today. Human resource management methods like those in this book can help any line manager/supervisor (or HR manager) boost his or her team's and company's levels of engagement, profits, and performance. Here are two examples we'll meet in this book:

*At one Ball Corp. packaging plant, managers trained supervisors to set and communicate daily performance goals. Management tracked daily goal attainment with team scorecards. Employees received special training to improve their skills. Within 12 months production was up 84 million cans, customer complaints dropped by 50%, and the plant's return on investment rose by \$3,090,000.*

*A call center averaged 18.6 vacancies per year (about a 60% turnover rate). The researchers estimated the cost of a call-center operator leaving at about \$21,500. They estimated the total annual cost of agent turnover for the call center at \$400,853. Cutting that rate in half would save this firm about \$200,000 per year.*

**YOU MAY SPEND SOME TIME AS AN HR MANAGER** Here is another reason to study this book: *you might spend time as a human resource manager.* For example, about a third of large U.S. businesses surveyed appointed non-HR managers to be their top human resource executives. Thus, Pearson Corporation (which publishes this book) promoted the head of one of its publishing divisions to chief human resource executive at its corporate headquarters. Why? Some think these people may be better equipped to integrate the firm's human resource activities (such as pay policies) with the company's strategic needs (such as by tying executives' incentives to corporate goals).<sup>4</sup> Appointing non-HR people can also be good for the manager. For example, one CEO served a three-year stint as chief human resource officer on the way to becoming CEO. He said the experience he got was invaluable in learning how to develop leaders, and in understanding the human side of transforming a company.<sup>5</sup>

However most top human resource executives do have prior human resource experience. About 80% of those in one survey worked their way up within HR. The Society for Human Resource Management (SHRM) offers information on topics such as alternative career paths within human resource management.<sup>6</sup> Find it at [www.shrm.org](http://www.shrm.org).<sup>7</sup>

**HR FOR SMALL BUSINESSES** And here is one other reason to study this book: you *may well end up as your own human resource manager*. More than half the people working in the United States work for small firms.<sup>8</sup> Small businesses as a group also account for most of the 600,000 or so new businesses created every year. Statistically speaking, therefore, most people graduating from college in the next few years either will work for small businesses or will create new small businesses of their own.<sup>9</sup> Small firms generally don't have the critical mass required for a full-time human resource manager (let alone an HR department).<sup>10</sup> The owner and his or her other managers (and perhaps assistant) handle tasks like signing employees on. So studying the techniques in this book should help you to manage a small firm's human resources more effectively. We'll address human resource management for small businesses in later chapters.

### Line and Staff Aspects of Human Resource Management

All managers have always been, in a sense, human resource managers, because they all get involved in recruiting, interviewing, selecting, and training their employees. Yet most firms also have a human resource department with its own top manager. How do the duties of this human resource manager and department relate to the human resource duties of sales and production and other managers? Answering this requires a short definition of line versus staff authority. **Authority** is the right to make decisions, to direct the work of others, and to give orders. Managers usually distinguish between line authority and staff authority.

In organizations, **line authority** traditionally gives managers the right to *issue orders* to other managers or employees. Line authority therefore creates a superior (order giver)–subordinate (order receiver) relationship. When the vice president of sales tells her sales director to “get the sales presentation ready by Tuesday,” she is exercising her line authority. **Staff authority** gives a manager the right to *advise* other managers or employees. It creates an advisory relationship. When the human resource manager suggests that the plant manager use a particular selection test, he or she is exercising staff authority.

On the organization chart, managers with line authority are **line managers**. Those with staff (advisory) authority are **staff managers**. In popular usage, people tend to associate line managers with managing departments (like sales or production) that are crucial for the company's survival. Staff managers generally run departments that are advisory or supportive, like purchasing and human resource management. Human resource managers are usually staff managers. They assist and advise line managers in areas like recruiting, hiring, and compensation.

### Line Managers' Human Resource Management Responsibilities

However, line managers do have many human resource duties. This is because the direct handling of people has always been part of every line manager's duties, from president down to first-line supervisors. One major company outlines its line supervisors' responsibilities for effective human resource management under these general headings:

1. Placing the right person in the right job
2. Starting new employees in the organization (orientation)
3. Training employees for jobs that are new to them
4. Improving the job performance of each person
5. Gaining creative cooperation and developing smooth working relationships
6. Interpreting the company's policies and procedures
7. Controlling labor costs
8. Developing the abilities of each person

#### authority

The right to make decisions, direct others' work, and give orders.

#### line authority

Traditionally gives managers the right to issue orders to other managers or employees.

#### staff authority

Gives a manager the right to advise other managers or employees.

#### line manager

A manager who is authorized to direct the work of subordinates and is responsible for accomplishing the organization's tasks.

#### staff manager

A manager who assists and advises line managers.

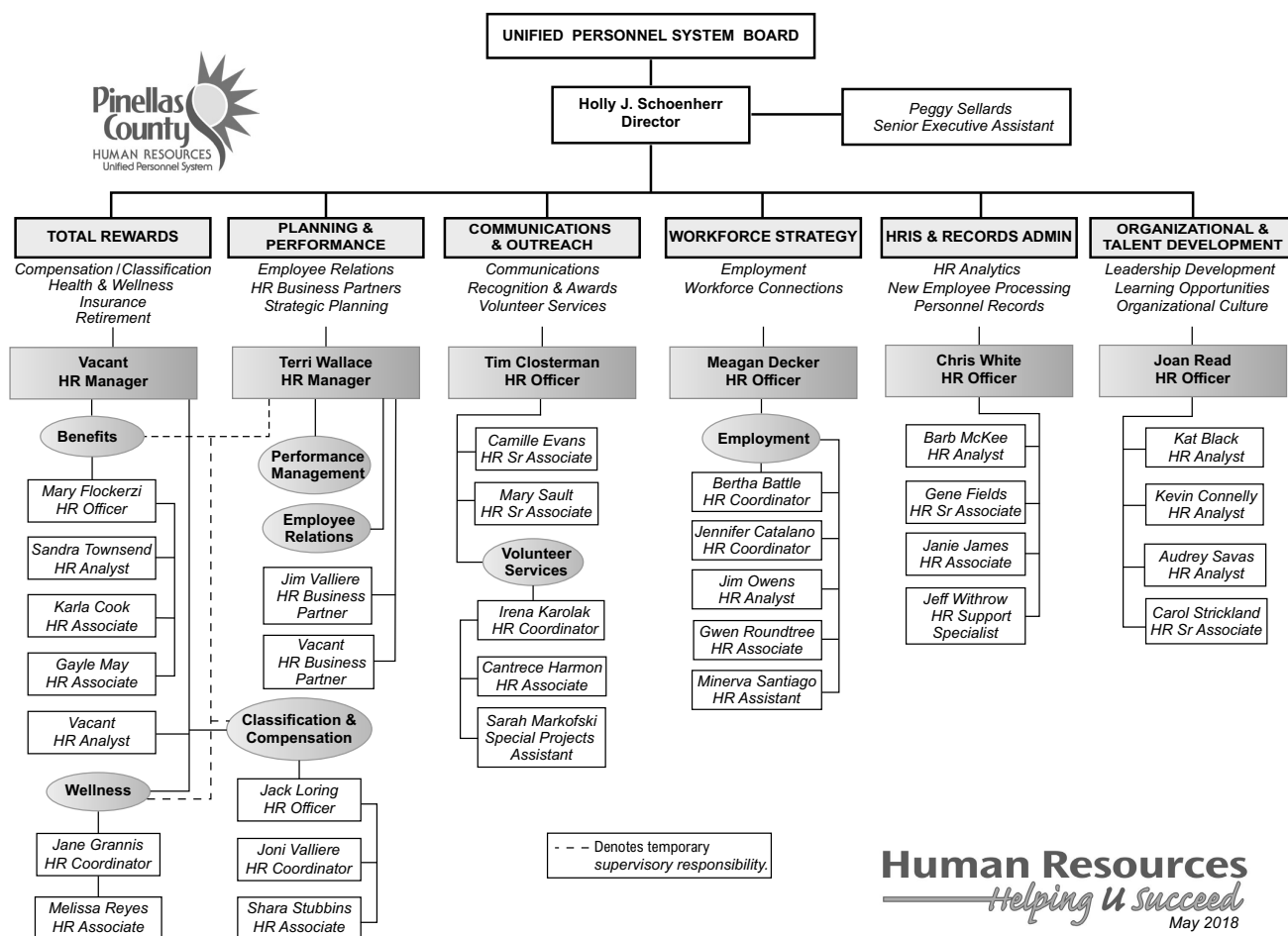
9. Creating and maintaining departmental morale
10. Protecting employees' health and physical conditions

And we'll see that, if anything, social media tools like *LinkedIn hiring* are expanding many line managers' HR responsibilities. That's why in a recent survey, 49% of the employers were taking steps to "Improve line managers' people management skills."<sup>11</sup>

### The Human Resource Department

In small organizations, line managers may carry out all these personnel duties unassisted. But as the organization grows, line managers usually need the assistance, specialized knowledge, and advice of a separate human resource staff.<sup>12</sup> In larger firms, the *human resource department* provides such specialized assistance. Figure 1-1 shows human resource management jobs in one organization.<sup>13</sup> Typical positions include compensation and benefits manager, employment and recruiting supervisor, training specialist, and employee relations executive. Examples of job duties include

- **Recruiters:** Use various methods including contacts within the community and print and online media to search for qualified job applicants.
- **Equal employment opportunity (EEO) representatives or affirmative action coordinators:** Investigate and resolve EEO grievances, examine organizational practices for potential violations, and compile and submit EEO reports.



**FIGURE 1-1 Human Resource Department Organization Chart Showing Typical HR Job Titles**

Source: "Human Resource Development Organization Chart Showing Typical HR Job Titles," [www.co.pinellas.fl.us/persnl/pdf/orgchart.pdf](http://www.co.pinellas.fl.us/persnl/pdf/orgchart.pdf). Courtesy of Pinellas County Human Resources. Reprinted with permission.

- **Job analysts:** Collect and examine detailed information about job duties to prepare job descriptions.
- **Compensation managers:** Develop compensation plans and handle the employee benefits program.
- **Training specialists:** Plan, organize, and direct training activities.
- **Labor relations specialists:** Advise management on all aspects of union–management relations.

In practice, HR and line managers share responsibility for most human resource activities. For example, human resource and line managers typically share responsibility for skills training. Thus the supervisor might describe what training she thinks the new employee needs, HR might design the training, and the supervisor might then provide on-the-job training.

**NEW APPROACHES TO ORGANIZING HR** However, what HR departments do and how they do it are changing. Because of this, many employers are taking a new look at how they organize their human resource functions.<sup>14</sup>

For one thing, employers are changing how they organize and deliver HR services. For example, one survey found that 55% of firms surveyed were actively “reengineering” their human resource management processes, (for example, by moving recruiting from in-house recruiters to online and social media platforms).<sup>15</sup> Most are “actively seeking to transform” how they deliver human resource services, largely by adopting new HR technology tools (such as online training portals).<sup>16</sup> Many are using technology to institute more “shared services” arrangements.<sup>17</sup> These create centralized HR units whose employees are shared by all the companies’ departments to assist the departments’ line managers in human resource matters. These shared services HR teams generally offer their services through intranets or centralized call centers; they aim to provide managers and employees with specialized support in day-to-day HR activities (such as discipline problems).

You may also find specialized *corporate HR teams* within a company. These assist top management in top-level issues such as developing the personnel aspects of the company’s long-term strategic plan. *Embedded HR teams* have HR generalists (also known as “relationship managers” or “HR business partners”) assigned to functional departments like sales and production. They provide the employee selection and other assistance the departments need. *Centers of expertise* are basically specialized HR consulting firms within the company. For example, one might provide specialized advice in areas such as organizational change to all the company’s various units.<sup>18</sup>

#### LEARNING OBJECTIVE 1-2

Briefly discuss and illustrate the important trends influencing human resource management.

## The Trends Shaping Human Resource Management

Working cooperatively with line managers, human resource managers have long helped employers hire and fire employees, administer benefits, and conduct appraisals. However, trends are occurring that are changing how employers get their human resource management tasks done. The trends include *workforce demographic trends*, *trends in jobs people do*, *technological trends*, and *globalization and economic trends*.

### Workforce Demographics and Diversity Trends

The composition of the workforce will continue to become more diverse with more women, minority group members, and older workers in the workforce.<sup>19</sup> Table 1-1 offers a bird’s-eye view. Between 1992 and 2024, the percent of the workforce that the U.S. Department of Labor classifies as “white” will drop from 85% to 77.7%. At the same time, the percent of the workforce that it classifies as “Asian” will rise from 4% to 6.6%, and those of Hispanic origin will rise from 8.9% to 19.8%. The percentages of younger workers will fall, while those over 55 will about double from 11.8% of the workforce in 1992 to 24.8% in 2024. Many employers call “the aging workforce” a big problem. The problem is that there aren’t enough younger workers to replace the projected number of baby boom–era older workers (born roughly 1946–1964)

**TABLE 1-1 Demographic Groups as a Percent of the Workforce, 1992–2024**

Age, Race, and Ethnicity	1992	2002	2012	2024
Age: 16–24	16.9%	15.4%	13.7%	11.3%
25–54	71.4	70.2	65.3	63.9
55+	11.8	14.3	20.9	24.8
White	85.0	82.8	79.8	77.7
Black	11.1	11.4	11.9	12.7
Asian	4.0	4.6	5.3	6.6
Hispanic origin	8.9	12.4	15.7	19.8

Source: U.S. Bureau of Labor Statistics Economic News Release, [www.bls.gov/news.release/ecopro.t01.htm](http://www.bls.gov/news.release/ecopro.t01.htm), December 19, 2013, and <https://www.bls.gov/news.release/ecopro.t01.htm>, accessed April 16, 2017.

retiring.<sup>20</sup> Many employers are bringing retirees back (or just trying to keep them from leaving).

With the resulting projected workforce shortfalls (not enough younger workers to replace retirees), employers are taking several steps. Many are hiring foreign workers for U.S. jobs. The H-1B visa program lets U.S. employers recruit skilled foreign professionals to work in the United States when they can't find qualified American workers. U.S. employers bring in about 181,000 foreign workers per year under these programs, although such programs face increasing opposition today.<sup>21</sup> Under the Trump administration the Department of Justice and the immigration service is enforcing H-1B rules more forcefully.<sup>22</sup>

### Trends in Jobs People Do

There are three big trends in the jobs people do. First, work has shifted from manufacturing to service. Today over two-thirds of the U.S. workforce is employed in producing and delivering services, not products. By 2024, service-providing industries are expected to account for 129 million out of 160 million (81%) of wage and salary jobs overall.<sup>23</sup> So in the next few years, almost all the new jobs added in the United States will be in services, not in goods-producing industries.

**ON-DEMAND WORKERS** Second, today in companies like Uber and Upwork, most workers aren't employees at all: They're freelancers and independent contractor–gig workers, who work when they can, on what they want to work on, when they're needed.<sup>24</sup> The head of one such firm said employers view those workers as “mobile, independent bundles of skills.”<sup>25</sup> Uber signs up thousands and thousands of new independent contractor drivers per month.<sup>26</sup> And people don't just do gigs full-time. About one-third of *all* workers do gig work on the side, such as teachers who drive for Uber.<sup>27</sup> The accompanying HR and the Gig Economy feature elaborates.

### ■ HR AND THE GIG ECONOMY: ON-DEMAND WORKERS

Upwork ([www.upwork.com](http://www.upwork.com))<sup>28</sup> symbolizes on-demand work. Millions of freelancers from graphic designers to translators, accountants, and lawyers register on its site. Employers use it to find, screen, hire, and pay the talent they need, in more than 180 countries.<sup>29</sup> These workers are part of a vast workforce comprised of contract, temp, freelance, independent contractor, “on-demand,” or simply “gig” workers. Other on-demand sites include Amazon's Mechanical Turk, IKEA's TaskRabbit, and Handy (which lets users tap Handy's thousands of freelance cleaners and furniture assemblers when they need jobs done), and, of course, Uber.<sup>30</sup> Such workers may comprise half the workforce in the next 10 years.<sup>31</sup>

But freelance work goes beyond sites like Handy and Uber. For example employers are using more temp workers and contractors. Before it combined with Alaska Air group, Virgin America used contractors rather than employees for jobs including baggage delivery, reservations, and heavy maintenance.



A trucking company supplies contract workers who unload shipping containers at Walmart warehouses. And (somewhat amazingly) even Google's parent, Alphabet Inc., has about the same number of outsourced jobs as full-time employees.<sup>32</sup> We'll see in gig economy features like these that companies that rely on freelancers and other such nontraditional employees need special HR policies and practices to deal with them.

Gig economy work has detractors.<sup>33</sup> Some people who do these jobs say they can feel somewhat disrespected. One critic says the work is unpredictable and insecure. An article in the *New York Times* said this: "The larger worry about on-demand jobs is not about benefits, but about a lack of agency—a future in which computers, rather than humans, determine what you do, when and for how much."<sup>34</sup> Some gig workers are taking action. For example, some Uber drivers sued to unionize.

**HUMAN CAPITAL** Finally, more jobs are becoming "high tech." Jobs like engineer always emphasized knowledge and education. The big change now is that even traditional manufacturing jobs like assembler are increasingly high tech. Similarly bank tellers, retail clerks, bill collectors, mortgage processors, and package deliverers today need a level of technological sophistication they didn't need a few years ago. So in our increasingly knowledge-based economy, "... the acquisition and development of superior human capital appears essential to firms' profitability and success."<sup>35</sup>

For managers, the challenge here is that they have to manage such workers differently. For example, letting workers make more decisions presumes you've selected, trained, and rewarded them to make more decisions themselves. This means adjusting how you select, train, and engage these employees.<sup>36</sup> To paraphrase one recent headline, technology is useless without skilled workers.<sup>37</sup> The accompanying HR as a Profit Center discussion illustrates how one employer capitalized on its human capital.



## IMPROVING PERFORMANCE: HR AS A PROFIT CENTER

### Boosting Customer Service

A bank installed special software that made it easier for its customer service representatives to handle customers' inquiries. However, the bank did not otherwise change the service reps' jobs in any way. Here, the new software system did help the service reps handle more calls. But otherwise, this bank saw no big performance gains.<sup>38</sup>

A second bank installed the same software. But, seeking to capitalize on how the new software freed up customer reps' time, this bank also had its human resource team upgrade the customer service representatives' jobs. This bank taught them how to sell more of the bank's services, gave them more authority to make decisions, and raised their wages. Here, the new computer system dramatically improved product sales and profitability, thanks to the newly trained and empowered customer service reps. Value-added human resource practices like these improve employee performance and company profitability.<sup>39</sup> ■

### Globalization Trends

Globalization refers to companies extending their sales, ownership, and/or manufacturing to new markets abroad. Thus, Toyota builds Camrys in Kentucky, while Apple assembles iPhones in China. Free trade areas—agreements that reduce tariffs and barriers among trading partners—further encourage international trade. The North American Free Trade Agreement (NAFTA) and the European Union (EU) are examples.

Globalization has boomed for the past 50 or so years. For example, the total of U.S. imports plus exports rose from \$562 billion in 1980, to about \$5.2 *trillion* recently.<sup>40</sup> Evolving economic and political philosophies drove this boom. Governments dropped cross-border taxes or tariffs, formed economic free trade areas, and took other steps to encourage the free flow of trade among countries. The economic rationale was that by doing so, all countries would gain, and indeed, economies around the world did grow.

At the same time, globalization vastly increased international competition. More globalization meant more competition, and more competition meant more pressure to be “world class”—to lower costs, to make employees more productive, and to do things better and less expensively. Today a loss of jobs and growing income inequities are prompting some to rethink the wisdom of globalization.<sup>41</sup>

So globalization hasn’t been without significant cost. As multinational companies jockey for position, many transfer operations abroad, not just to seek cheaper labor but also to tap into new markets. For example, Toyota has thousands of sales employees based in America, while GE has over 10,000 employees in France. The search for greater efficiencies prompts some employers to *offshore* (export jobs to lower-cost locations abroad, as when Dell offshored some call-center jobs to India). Some employers offshore even highly skilled jobs such as lawyer.<sup>42</sup> Managing the “people” aspects of globalization is a big task for companies that expand abroad—and for their HR managers.<sup>43</sup>

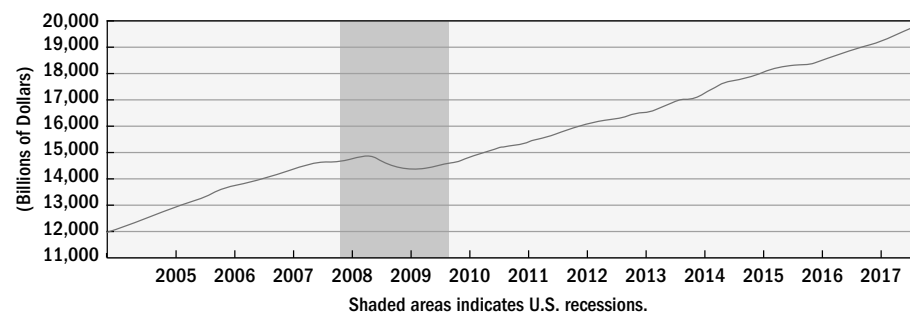
### Economic Trends

Although globalization supported a growing global economy, the period from roughly 2007–2015 was difficult economically. As you can see in Figure 1-2, gross domestic product (GDP)—a measure of the United States of America’s total output—boomed between 2001 and 2007. During this period, home prices (see Figure 1-3) leaped as much as 20% per year. Unemployment remained docile at about 4.7%.<sup>44</sup> Then, around 2007–2008, all these measures fell off a cliff. GDP fell. Home prices dropped by 10% or more (depending on city). Unemployment nationwide soon rose to more than 10%.

Why did all this happen? It’s complicated. Many governments stripped away rules and regulations. For example, in America and Europe, the rules that prevented commercial banks from expanding into new businesses such as investment banking were relaxed. Giant, multinational “financial supermarkets” such as Citibank emerged. With fewer regulations, more businesses and consumers were soon deeply in debt. Homebuyers bought homes with little money down. Banks freely lent money to developers to build more homes. For almost 20 years, U.S. consumers spent more than they earned. The United States became a debtor nation. Its balance of payments (exports minus imports) went from a healthy *positive* \$3.5 billion in 1960, to a huge

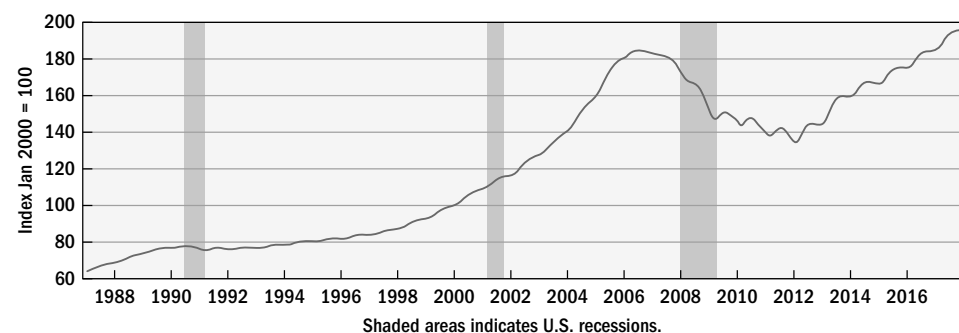
**FIGURE 1-2 Gross Domestic Product, 2005–2017**

Source: St. Louis Federal Reserve Bank, <https://fred.stlouisfed.org/series/GDP>, accessed March 9, 2018.



**FIGURE 1-3 Case-Shiller U.S. National Home Price Index, 1988–2016**

Source: St. Louis Federal Reserve Bank, <https://fred.stlouisfed.org/series/CSUSHPINSA>, accessed March 9, 2018.



*minus* (imports exceeded exports) \$497 billion deficit more recently.<sup>45</sup> The only way the country could keep buying more from abroad than it sold was by borrowing money. So, much of the boom was built on debt.

Around 2007, all those years of accumulating debt ran their course. Banks and other financial institutions found themselves owning trillions of dollars of worthless loans. Governments stepped in to try to prevent their collapse. Lending dried up. Many businesses and consumers stopped buying. The economy tanked.

Economic trends have moved up today, and hopefully they will continue to do so. For example, the unemployment rate had fallen from a high of more than 10% a few years ago to around 5% in 2015, and to about 4% in 2018, and GDP was growing at about 4.0% in 2018.<sup>46</sup>

However, that doesn't necessarily mean clear sailing for the economy. For one thing, the Federal Reserve Board, which supported economic expansion after the Great Recession, began raising interest rates as a guard against inflationary pressures. For another, productivity is rising more slowly than in the past, which may further retard economic growth.<sup>47</sup> (Automation may change that. In Asia robots are replacing human labor in clothing factories, and many experts predict automation will soon replace jobs ranging from bookkeepers and telemarketers to cashiers, retail salespeople, and, alas, human resources assistants.)<sup>48</sup> And after the experience of 2007–2009, it's doubtful that the leveraging and globalization that helped drive economic growth for the previous 50 years will continue unabated. Add it all up, and the bottom line could possibly be slowing economic growth ahead. Overall, the Bureau of Labor Statistics and the Congressional Budget Office project that gross domestic product (GDP) will increase by about 2.0% annually from 2020 to 2026, slower than the 3% or higher that more or less prevailed from the mid-1990s through the mid-2000s.<sup>49</sup>

**LABOR FORCE TRENDS** Complicating all this is the fact that the labor force in America is growing more slowly (which is not good, because if employers can't get enough workers, they can't expand).<sup>50</sup> To be precise, the Bureau of Labor Statistics projects the labor force to grow at 0.6% per year from 2016 to 2026. That's up from an annual growth rate of 0.5% during the 2002–2012 decade, but is much slower than in previous decades.<sup>51</sup> Why the slower labor force growth? Mostly because with baby boomers aging, the “labor force participation rate” is falling—in other words, the *percent* of the population (particularly 25- to 54-year-olds) that wants to work is way down.<sup>52</sup> One study of 35 large global companies' senior human resource officers said “talent management”—the acquisition, development, and retention of talent to fill the companies' employment needs—ranked as their top concern.<sup>53</sup>

**THE UNBALANCED LABOR FORCE** Furthermore, demand for workers is unbalanced; for example, the unemployment rate for, say, recent college graduates in general was higher than that of software engineering graduates.<sup>54</sup> In fact, almost half of employed U.S. college graduates are in jobs that generally require less than a four-year college education.<sup>55</sup> Why did this happen? In brief, because most of the jobs that the economy added in the past few years don't require college educations, and the Bureau of Labor Statistics says that will probably continue. Occupations that *do not* typically require postsecondary education employed nearly two-thirds of workers recently.<sup>56</sup> Similarly, about two-thirds of the occupations with the largest projected employment growth from 2014 to 2024 typically do not require postsecondary education for entry.<sup>57</sup> Such imbalances are complicated by a skills gap. For example, the manager of a PPG paint and coatings plant in Wisconsin, says they're “always short people” because they can't find enough skilled workers.<sup>58</sup>

The result is an unbalanced labor force: in some occupations (such as engineering) unemployment rates are low, while in others unemployment rates are still relatively high; recruiters in many companies can't find candidates, while in others there's a wealth of candidates;<sup>59</sup> and many people working today are in jobs “below” their expertise (which may or may not help to explain why about 70% of employees report

being psychologically disengaged at work). In any case, the bottom line is more pressure on employers (and their human resource managers and line managers) to get the best efforts from their employees.

### Technology Trends

Technology is changing human resource management in two main ways. First (as we saw), technological change is affecting *the nature of jobs*.<sup>60</sup> When someone thinks of “tech jobs,” jobs at Google come to mind, but technology affects all sorts of jobs. At an Alcoa plant in Iowa, a computer at each workstation helps employees control their machines or communicate data. Employees type their commands into computerized machines that create precision parts.<sup>61</sup>

Second, technology is changing *how employers get human resource management tasks done*. In one survey 41% of companies were designing mobile apps to deliver human resource management services, and about a third were using artificial intelligence.<sup>62</sup> Several technologies are important here:

- Employers use *social media* tools such as Twitter, Facebook, and LinkedIn (rather than, say, employment agencies) to recruit new employees. Accenture estimates that social media tools like LinkedIn will soon produce up to 80% of new recruits—often letting line managers bypass HR and do their own recruiting.<sup>63</sup> Sites such as Glassdoor and JobBite let their members share insights into employers, including commentaries, salary reports, and CEO approval ratings. According to one report, 48% of job seekers surveyed said they’ve used Glassdoor during their job search.<sup>64</sup> This transparency prompts sensible human resource managers to redouble their efforts to ensure that their internal processes (such as performance appraisals) are civil.
- Employers use *mobile applications*, for instance, to monitor employee location and to provide digital photos at the facility clock-in location to identify workers.
- Web sites such as Knack, Gild, and True Office enable employers to inject *gam- ing* features into training, performance appraisal, and recruiting.
- *Cloud computing*–based tools enable employers to monitor things like a team’s goal attainment and to provide real-time direct evaluative feedback. Others use cloud-based systems to track employee engagement in real time via quick surveys. SAP and Kronos offer cloud-based systems for in-taking, tracking, and scheduling freelance gig workers.<sup>65</sup>
- *Data analytics* basically means using statistical techniques, algorithms, and problem solving to identify relationships among data for the purpose of solving particular problems (such as how can I tell in advance which of my best employees is likely to quit?). When applied to human resource management, data analytics is called *talent analytics*.

As one example, an employer operated for many years on the assumption that what mattered in hiring was the school the candidate attended, the grades they had, and their references. A retrospective talent analytics study showed that these traits didn’t matter at all. What mattered were things like: their résumés were grammatically correct, they didn’t quit school until obtaining some degree, and they were able to succeed with vague instructions.<sup>66</sup> At GE, an analytics tool helps management identify when key employees are likely to leave GE.<sup>67</sup> When executives at Shell needed employees with expertise in car maintenance, it used its analytics-based talent search algorithm to scan current Shell employees to find those with the right skills.<sup>68</sup>

- *Artificial intelligence (AI)* basically means using computers to do tasks in human-like ways. For example, companies use AI for: scanning and transferring customer address changes from e-mails to the company’s data records (“auto- mation”); and to “learn” and predict which job applicants will succeed, and which are most likely to leave (“analysis”). And, when you call an airline and find yourself answering questions from an automated system, they’re using AI to “engage” with customers.<sup>69</sup> At one insurance firm in Japan, IBM’s Watson

artificial intelligence system enables inexperienced employees to analyze claims like experts.<sup>70</sup>

- *Augmented reality* (AR) transforms huge amounts of data and superimposes digital summaries and images on the physical world. For example, if your car shows the car's speed and direction directly on the windshield, you're experiencing AR. Employers use AR for human resource management too. For example, Boeing uses AR to help trainees learn the 50 steps required to assemble an aircraft wing section.<sup>71</sup>

#### LEARNING OBJECTIVE 1-3

**Briefly describe** six important components or pillars of human resource management today.

## Important Components of Today's New Human Resource Management

### A Brief History of Personnel/Human Resource Management

"Personnel management" is not new.<sup>72</sup> Ancient armies and organized efforts always required attracting, selecting, training, and motivating workers. But personnel tasks like these were mostly just part of every manager's job, something that lasted in most countries until the late 1800s. At that time, labor problems (having to hire and assimilate large numbers of workers, for instance) began arising in many of the post-Industrial Revolution's new factories. Soon employers were setting up "welfare offices" and "welfare secretaries" to manage activities like factory washrooms, and "safety bureaus" to oversee plant safety. By 1900, employers set up the first "hiring offices," training programs, and factory schools. Personnel management had begun.

In these early firms, personnel managers took over hiring and firing from supervisors, ran the payroll departments, and administered benefits plans. As expertise in testing emerged, personnel departments played a greater role in employee selection and training.<sup>73</sup> New union laws in the 1930s added "Helping the employer deal with unions" to personnel's tasks. New equal employment laws in the 1960s made employers more reliant on personnel management to avoid discrimination claims.<sup>74</sup> By the 1970s globalization made gaining a competitive edge through engaged employees—and therefore personnel management—increasingly important.

Today economic and demographic trends (recall the aging population, for instance) make finding, hiring, and motivating employees more challenging, while at the same time more high-tech jobs means employers must excel at managing employees' knowledge, skills, and expertise (human capital). Furthermore, as we've seen, technological trends including mobile and social media are changing how employers recruit, select, train, appraise, and motivate employees.<sup>75</sup> In a sense, a new human resource management is emerging, one built on six main components or pillars.

### Distributed HR and the New Human Resource Management

First, thanks to technologies like social media and cloud computing, more human resource management tasks are being *redistributed* from a central HR department to the company's employees and line managers.<sup>76</sup> For example, employees at Washington-based LivingSocial use a digital tool called Rypple to comment on each other's work. LivingSocial then uses these comments as an input to its formal employee appraisals.

Some experts say that if current trends continue, many aspects of HR and talent management may become "fully embedded in how work gets done throughout an organization [distributed], thereby becoming an everyday part of doing business."<sup>77</sup> So, somewhat ironically, we seem to be shifting in some respects back toward the time before the first personnel departments when line managers did more of the personnel tasks. As an example, Hilton Worldwide is placing more HR activities in the hands of employees, while redirecting the savings thus attained to building up the more strategic aspects of what its human resource managers do.<sup>78</sup> In the following chapters, we'll use Trends Shaping HR discussions like the accompanying one to present more examples.




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**TRENDS SHAPING HR: DIGITAL AND SOCIAL MEDIA**


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**Digital and Social Media Tools and the New Human Resource Management**

Digital and social media tools are changing how people look for jobs, and how companies recruit, retain, pay, and train employees. In doing so, they've created, in a sense, a new human resource management.

For example, career sites such as Glassdoor, CareerBliss, CareerLeak, and JobBite let their members share insights into thousands of employers, including company commentaries, salary reports, and CEO approval ratings.<sup>79</sup> According to one report, 48% of job seekers surveyed said they've used Glassdoor during their job search, including checking before applying for employment at a company.<sup>80</sup> Among other things, this prompts sensible human resource managers to make sure their internal processes (such as promotion decisions, pay allocations, and performance appraisals) are fair, and that their recruitment processes are civil—for instance, by getting back to rejected job candidates.

Recruitment is another familiar way social media revolutionized human resource management. For example, managers use LinkedIn to find passive employment candidates (those not actively looking for jobs), and to check out active candidates. Another site, Gild, lets managers find skilled software engineers by searching the Web for open source code; they then evaluate the code's programmers by scanning technology forums to assess the programmers' reputations. ■

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**■ IMPROVING PERFORMANCE: THE STRATEGIC CONTEXT**


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**Building L.L.Bean**

*Strategic human resource management* means formulating and executing human resource policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic aims.

L.L.Bean illustrates how companies do this. The heart of L.L.Bean's strategy has always been offering great outdoor equipment with outstanding service and expert advice. As its company history said, "L.L.Bean, Inc., quickly established itself as a trusted source for reliable outdoor equipment and expert advice. The small company grew. Customers spread the word of L.L.Bean's quality and service."<sup>81</sup>

To provide such service, L.L.Bean needs special people as employees, ones whose love of the outdoors helps them deal knowledgeably and supportively with the company's customers. To paraphrase its Web site, L.L.Bean is looking for special employees, "innovative professionals with a love for the outdoors, a commitment to service and a shared excitement for the future."<sup>82</sup>

L.L.Bean's HR policies and practices attract and develop just such employees. For one thing, the company knows just who to recruit. It wants passionate, sociable, friendly, outdoors-oriented applicants and employees.<sup>83</sup> To attract and cultivate these sorts of employee competencies and behaviors, the company uses multiple interviews to screen out applicants who might not fit in.<sup>84</sup> And L.L.Bean offers an outdoors-oriented work environment and competitive pay, and benefits that include outdoor clubs, sporting equipment to borrow, and outdoor courses and tours.<sup>85</sup>

To help encourage great employee service, L.L.Bean also provides a supportive environment. For example, when its Web sales for the first time exceeded phone sales several years ago, L.L.Bean closed four local call centers, but arranged for the 220 employees to work from their homes. And instead of sending jobs abroad, the company keeps its jobs close to the town where Leon Leonwood Bean started his company almost 100 years ago.<sup>86</sup> L.L.Bean's managers built the firm's strategy and success around courteous, expert service. They know that having the right employees is the key to its success, and that it takes the right blend of human resource practices to attract and support such employees.

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**A Quick Overview**

We can summarize a quick overview of our discussion to this point as follows:

- One big consequence of globalized competition, economic and demographic trends, and the shift to high-tech and service jobs is the growing need for

employers to get the best from their “human capital,” in other words, from their workers’ knowledge, education, training, skills, and expertise.

- This requires, among other things, using human resource methods to improve employee performance and engagement.
- Thanks to digital devices and social media, employers are shifting (distributing) more HR tasks from central human resource departments to employees and line managers.
- This gives many line managers more human resource management responsibilities.
- And this means that many human resource managers can refocus their efforts *from* day-to-day activities like interviewing candidates *to* broader efforts, such as formulating strategies for boosting employee performance and engagement. Figure 1-4 illustrates this.

### Strategic Human Resource Management

A second pillar of HR today is that today’s human resource management is more involved in longer-term, strategic “big picture” issues. We’ll see in Chapter 2 (Strategy) that **strategic human resource management** means formulating and executing human resource policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic aims. We illustrate this throughout this book with Strategic Context features such as the accompanying one.

As in the Strategic Context feature, today’s employers want their HR managers to put in place practices that will produce the employee behaviors that help the company achieve its strategic aims. We use a model opening in each chapter to illustrate this idea, but in brief the model follows this three-step sequence: Set the firm’s strategic aims → Pinpoint the employee behaviors and skills we need to achieve these strategic aims → Decide what HR policies and practices will enable us to produce these necessary employee behaviors and skills.

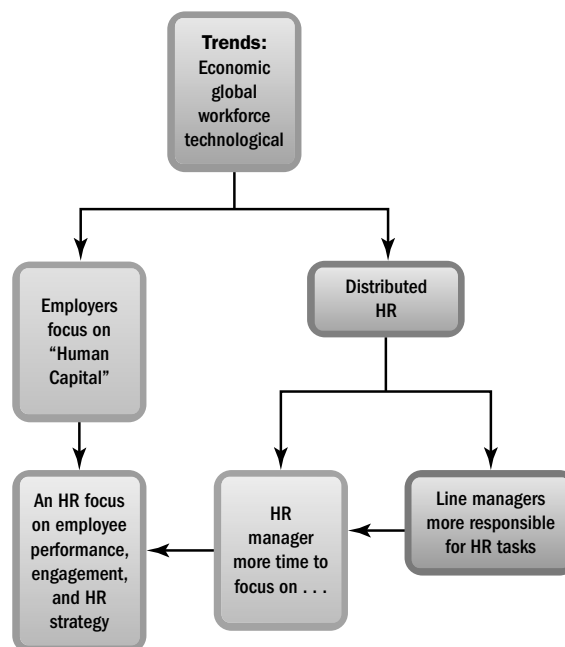
### Performance and Human Resource Management

Third, employers also expect human resource management to spearhead *employee performance-improvement* efforts.<sup>87</sup> Here HR can apply three levers. The first is the *HR department lever*. The HR manager ensures that the human resource management

#### strategic human resource management

Formulating and executing human resource policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic aims.

**FIGURE 1-4** What Trends Mean for Human Resource Management



function is delivering services efficiently. For example, this might include outsourcing certain activities such as benefits management, and using technology to deliver its services more cost-effectively.

The second is the *employee costs lever*. For example, the human resource manager takes a prominent role in advising top management about the company's staffing levels, and in setting and controlling the firm's compensation, incentives, and benefits policies.

The third is the *strategic results lever*. Here the HR manager puts in place the policies and practices that produce the employee competencies and skills the company needs to achieve its strategic goals. That's what was done at L.L.Bean, for instance.

**HR AND PERFORMANCE MEASUREMENT** Improving performance requires measuring what you are doing. For example, when IBM's former chief HR officer needed \$100 million to reorganize its HR operations several years ago, he told top management, "I'm going to deliver talent to you that's skilled and on time and ready to be deployed. I will be able to measure the skills, tell you what skills we have, what [skills] we don't have [and] then show you how to fill the gaps or enhance our training."<sup>88</sup>

Human resource managers use performance measures (or "metrics") to validate claims like these. For example, the average number of HR employees per 100 total employees is 2.57.<sup>89</sup> We'll address this in Chapter 2.

**HR AND EVIDENCE-BASED MANAGEMENT** Basing decisions on such evidence is the heart of *evidence-based human resource management*. This is the use of data, facts, analytics, scientific rigor, critical evaluation, and critically evaluated research/case studies to support human resource management proposals, decisions, practices, and conclusions.<sup>90</sup> Put simply, evidence-based human resource management means using the best-available evidence in making decisions about the human resource management practices you are focusing on.<sup>91</sup> The evidence may come from *actual measurements* (such as, how did the trainees like this program?). It may come from *existing data* (such as, what happened to company profits after we installed this training program?). Or, it may come from published *research studies* (such as, what does the research literature conclude about the best way to ensure that trainees remember what they learn?).

**HR AND ADDING VALUE** The bottom line is that today's employers want their human resource managers to *add value* by boosting profits and performance. Professors Dave Ulrich and Wayne Brockbank coined the phrase "HR Value Proposition."<sup>92</sup> They say human resource management's aim is to add value. *Adding value* means helping the firm and its employees improve in a measurable way as a result of the human resource manager's actions. Particularly today, adding value does not just mean cutting costs. It also entails improving the company's processes, aligning HR's activities with the company's strategy, and fostering employee engagement.<sup>93</sup> We'll see in this book how human resource practices do this.<sup>94</sup> For example, we'll use, in each chapter, HR as a Profit Center discussions (as on pages 9–10), as well as special employee engagement, and human resource strategy discussions and cases to illustrate this.

### Sustainability and Human Resource Management

Fourth, in a world where sea levels are rising, glaciers are crumbling, and people increasingly view financial inequity as offensive, more and more people say that businesses (and their HR teams) can't just measure "performance" in terms of maximizing profits. They argue that companies' efforts should be "*sustainable*," by which they mean judged not just on profits, but also on their environmental and social performance as well.<sup>95</sup> As one example, PepsiCo has a goal to deliver "Performance with Purpose"—in other words, to deliver financial performance while also achieving human sustainability, environmental sustainability, and talent sustainability. PepsiCo wants to achieve business and financial success while leaving a positive imprint on society (click [www.pepsico.com](http://www.pepsico.com), then click *Sustainability*, and then *Performance with Purpose*). As another example, the giant French materials company Saint-Gobain



recently opened new offices in Pennsylvania. Its human resource management department took a lead in creating sustainable offices, for instance, in terms of indoor air purity monitors.<sup>96</sup> In one survey, about 80% of large surveyed companies report their sustainability performance.<sup>97</sup>

### Employee Engagement and Human Resource Management

#### employment engagement

The extent to which an organization's employees are psychologically involved in, connected to, and committed to getting their jobs done.

Fifth, **employee engagement** refers to being psychologically involved in, connected to, and committed to getting one's jobs done. Engaged employees “experience a high level of connectivity with their work tasks,” and therefore work hard to accomplish their task-related goals.<sup>98</sup> Employers expect HR to help achieve employee engagement today.

Employee engagement is vital to employers today because it drives performance. For example (as we will discuss in Chapter 2), based on one Gallup survey, business units with the highest levels of employee engagement have an 83% chance of performing above the company median; those with the lowest employee engagement have only a 17% chance.<sup>99</sup> A survey by consultants Watson Wyatt Worldwide concluded that companies with highly engaged employees have 26% higher revenue per employee.<sup>100</sup>

The problem for employers is that only about 21–30% of today's employees nationally are engaged.<sup>101</sup> In one survey, about 30% were engaged, 50% were not engaged, and 20% were actively disengaged (antimanagement).<sup>102</sup>

We will see in this book that managers improve employee engagement by taking concrete steps to do so. For example, a few years ago, Kia Motors (UK) turned its performance around, in part by boosting employee engagement.<sup>103</sup> As we will discuss more fully in Chapter 2, it did this with new HR programs. These included new *leadership development* programs, new *employee recognition* programs, improved *internal communications* programs, a new *employee development* program, and by modifying its *compensation and other policies*. We use special Employee Engagement Guide for Managers sections in most chapters to show how managers use human resource activities such as recruiting and selection to improve employee engagement.

### Ethics and Human Resource Management

#### ethics

The principles of conduct governing an individual or a group; specifically, the standards you use to decide what your conduct should be.

Finally, **ethics** means the standards someone uses to decide what his or her conduct should be. Regrettably, news reports are filled with stories of otherwise competent managers who have run amok. For example, prosecutors filed criminal charges against several Iowa meatpacking plant human resource managers who allegedly violated employment law by hiring children younger than 16.<sup>104</sup> Behaviors like these risk torpedoing even otherwise competent managers and employers. We will see that many ethical issues—such as workplace safety—are HR-related, and that HR plays a big role in cultivating organizational ethics today.<sup>105</sup>

#### LEARNING OBJECTIVE 1-4

**List** at least four important human resource manager competencies.

## The New Human Resource Manager

All this means that it's more complicated being a human resource manager today.<sup>106</sup> Tasks like formulating strategies and making data-based decisions require new competencies and skills. HR managers can't just be good at traditional personnel tasks like hiring and training. Instead, they must “speak the CFO's language” by defending human resource plans in measurable terms (such as return on investment).<sup>107</sup> To create strategic plans, the human resource manager must understand strategic planning, marketing, production, and finance. As companies merge and expand abroad, HR managers must formulate and implement large-scale organizational changes, drive employee engagement, and redesign organizational structures and work processes. None of this is easy.

When asked, “Why do you want to be an HR manager?” many people basically say, “Because I'm a people person.” Being sociable is certainly important, but it takes much more.

What does it take to be a human resource manager today? The Society for Human Resource Management (SHRM) introduced a “competency model” (called the SHRM

Body of Competency and Knowledge™); it itemizes the competencies, skills, and knowledge and expertise human resource managers need. Here are the *behaviors or competencies* (with definitions) SHRM says today's HR manager should exhibit

- **Leadership and Navigation** The ability to direct and contribute to initiatives and processes within the organization
- **Ethical Practice** The ability to integrate core values, integrity, and accountability throughout all organizational and business practices
- **Business Acumen** The ability to understand and apply information with which to contribute to the organization's strategic plan
- **Relationship Management** The ability to manage interactions to provide service and to support the organization
- **Consultation** The ability to provide guidance to organizational stakeholders
- **Critical Evaluation** The ability to interpret information with which to make business decisions and recommendations
- **Global and Cultural Effectiveness** The ability to value and consider the perspectives and backgrounds of all parties
- **Communication** The ability to effectively exchange information with stakeholders

SHRM also says human resource managers must have command of *the basic knowledge in the functional areas of HR*, such as talent acquisition. The basic knowledge of each function's principles and practices they need here include, according to SHRM

- Functional Area #1: HR Strategic Planning
- Functional Area #2: Talent Acquisition
- Functional Area #3: Employee Engagement & Retention
- Functional Area #4: Learning & Development
- Functional Area #5: Total Rewards
- Functional Area #6: Structure of the HR Function
- Functional Area #7: Organizational Effectiveness & Development
- Functional Area #8: Workforce Management
- Functional Area #9: Employee & Labor Relations
- Functional Area #10: Technology Management
- Functional Area #11: HR in the Global Context
- Functional Area #12: Diversity & Inclusion
- Functional Area #13: Risk Management
- Functional Area #14: Corporate Social Responsibility
- Functional Area #15: U.S. Employment Law & Regulations

### HR Manager Certification

Many human resource managers use certification to demonstrate their mastery of contemporary human resource management knowledge and competencies. Managers have, at this writing, at least two testing processes to achieve certification.

The oldest is administered by the HR Certification Institute (HRCI), an independent certifying organization for human resource professionals (see [www.hrci.org](http://www.hrci.org)). Through testing, HRCI awards several credentials, including Professional in Human Resources (PHR), and Senior Professional in Human Resources (SPHR). Managers can review HRCI's Knowledge Base and take an online HRCI practice quiz by going to [www.hrci.org](http://www.hrci.org) and clicking on How to Get Certified and then on HRCI Practice Exams.<sup>108</sup>

SHRM offers its own competency and knowledge-based testing and certifications, for SHRM Certified Professionals, and SHRM Senior Certified Professionals, based on its own certification exams.<sup>109</sup> The exam is built around the SHRM Body of Competency and Knowledge™ model's functional knowledge, skills, and competencies.

We've summarized separately the SHRM and the HRCI knowledge bases in Appendices A and B of this book. One covers SHRM's functional knowledge areas (such as Employee Relations). The other covers HRCI's seven main knowledge areas (such as Strategic Business Management and Workforce Planning and Employment).

It includes about 91 specific HRCI “Knowledge of” subject areas within these seven main topic areas with which those taking the test should be familiar.

You’ll find throughout this book special Knowledge Base icons starting in Chapter 2 to denote coverage of SHRM and/or HRCI knowledge topics.

### HR and the Manager’s Human Resource Philosophy

Technical expertise is important, but at the end of the day, people’s actions are always based in part on the basic assumptions they make, and this is especially true in regard to human resource management. The basic assumptions you make about people—Can they be trusted? Do they dislike work? Why do they act as they do? How should they be treated?—together comprise your philosophy of human resource management. And every personnel decision you make—the people you hire, the training you provide, your leadership style, and the like—reflects (for better or worse) this basic philosophy.

How do you go about developing such a philosophy? To some extent, it’s preordained. There’s no doubt that you will bring to your job an initial philosophy based on your experiences, education, values, assumptions, and background. But your philosophy doesn’t have to be set in stone. It should evolve as you accumulate knowledge and experiences. In any case, no manager should manage others without first understanding the personnel philosophy that is driving his or her actions.

One of the things molding your own philosophy is that of your organization’s top management. While it may or may not be stated, it is usually communicated by the managers’ actions and permeates every level and department in the organization. For example, here is part of the personnel philosophy of the founder of the Polaroid Corp., stated many years ago:

To give everyone working for the company a personal opportunity within the company for full exercise of his talents—to express his opinions, to share in the progress of the company as far as his capacity permits, and to earn enough money so that the need for earning more will not always be the first thing on his mind. The opportunity, in short, to make his work here a fully rewarding and important part of his or her life.<sup>110</sup>

Current “best companies to work for” lists include many organizations with similar philosophies. For example, the CEO of software giant SAS has said,

We’ve worked hard to create a corporate culture that is based on trust between our employees and the company . . . a culture that rewards innovation, encourages employees to try new things and yet doesn’t penalize them for taking chances, and a culture that cares about employees’ personal and professional growth.<sup>111</sup>

Similarly, when Google founders Larry Page and Sergey Brin began building Google, they set out to make it a great place to work. Google doesn’t just offer abundant benefits and stock options.<sup>112</sup> Google’s team of social scientists run experiments, for instance, to determine successful middle managers’ skills.<sup>113</sup> The aim is to keep “Googlers” happy (and Google successful and growing). We’ll look closer at how managers maintain positive employee relations in Chapters 2 and 12.

#### LEARNING OBJECTIVE 1-5

Outline the plan of this book.

## The Plan of This Book

### The Basic Themes and Features

In this book, we’ll use four themes and features to highlight particularly important issues, and to provide continuity from chapter to chapter.

### Practical Tools for Every Manager

*First*, human resource management is the *responsibility of every manager*—not just those in human resources. Throughout every page in this book, you’ll therefore find an emphasis on practical material that you as a manager will need to perform your

day-to-day management responsibilities, even if you never spend one day as an HR manager. Special *HR Tools for Line Managers and Small Businesses* discussions provide small business owners/managers in particular with techniques to better manage their small businesses. *Know Your Employment Law* discussions highlight the practical information all managers need to make better HR-related decisions at work. *Employee Engagement Guide for Managers* discussions show how managers improve employee engagement.

*Second*, managers use human resource management techniques to *improve performance, productivity, and profitability*. To highlight this, you will find special discussions titled:

***Improving Performance: HR Tools for Line Managers and Small Businesses.*** These discussions highlight actual tools and practices any manager can use to improve performance at work.

***Improving Performance: HR as a Profit Center.*** We've seen that employers want human resource management practices that add value. To illustrate this throughout the book, most chapters contains an illustrative Improving Performance: HR as a Profit Center discussion. These show actual examples of how human resource management practices add measurable value—by reducing costs or boosting revenues.

***Improving Performance: HR Practices Around the Globe.*** These features highlight how actual companies around the globe use effective HR practices to improve their teams' and companies' performance.

***Improving Performance Through HRIS.*** These discussions highlight how managers use human resource technology to improve performance.

***Diversity Counts.*** These features provide insights and guidelines for managing a diverse workforce.

*Third*, the book emphasizes how digital and high-tech trends are shaping human resource management. You'll therefore find *Trends* discussions such as *Trends Shaping HR: Digital and Social Media* in most chapters.

*Fourth*, particularly with today's "distributed HR," every line and staff manager should understand how the employer's human resource management policies and practices produce the employee skills and performance the company needs to *achieve its strategic aims*. Special chapter-opener scenarios and *Improving Performance: The Strategic Context* features illustrate this in most chapters. And we'll use the Hotel Paris continuing case starting in Chapter 2 to apply that idea.

## Chapter Contents Overview

Following is a brief overview of the chapters and their content.

### PART 1: INTRODUCTION

Chapter 1: Introduction to Human Resource Management. The manager's human resource management jobs; crucial global and competitive trends; how managers use technology and modern HR measurement systems to improve HR management.

Chapter 2: Human Resource Management Strategy and Analysis. What is strategic planning; strategic human resource management; building high-performance HR practices; tools for evidence-based HR; employee engagement at Kia Motors.

### PART 2: RECRUITMENT, PLACEMENT, AND TALENT MANAGEMENT

Chapter 3: Job Analysis and the Talent Management Process. How to analyze a job; how to determine the human resource requirements of the job, as well as its specific duties; and what is talent management.

Chapter 4: Personnel Planning and Recruiting. Human resource planning; determining what sorts of people need to be hired; recruiting them.

Chapter 5: Employee Testing and Selection. Techniques you can use to ensure that you're hiring the right people.

Chapter 6: Interviewing Candidates. How to interview candidates effectively.

### PART 3: TRAINING AND DEVELOPMENT

Chapter 7: Training and Developing Employees. Providing the training and development to ensure that your employees have the knowledge and skills needed to accomplish their tasks.

Chapter 8: Performance Management and Appraisal. Techniques you can use for appraising employee performance.

Chapter 9: Managing Careers and Retention. Causes of and solutions for employee turnover, and how to help employees manage their careers.

### PART 4: COMPENSATION

Chapter 10: Establishing Strategic Pay Plans. How to develop equitable pay plans for your employees.

Chapter 11: Pay for Performance and Financial Incentives. Pay-for-performance plans such as financial incentives, merit pay, and incentives that help tie performance to pay.

Chapter 12: Benefits and Services. Providing benefits that make it clear the firm views its employees as long-term investments and is concerned with their welfare.

### PART 5: ENRICHMENT TOPICS IN HUMAN RESOURCE MANAGEMENT

Chapter 13: Building Positive Employee Relations. Developing employee relations programs and employee involvement strategies; ensuring ethical and fair treatment through discipline and grievance processes.

Chapter 14: Safety, Health, and Risk Management. How to make the workplace safe, including the causes of accidents; laws governing your responsibilities for employee safety and health; risk management methods.

Chapter 15: Managing Human Resources in Small and Entrepreneurial Firms. Special topics for managing human resources in smaller firms.

### The Topics Are Interrelated

In practice, do not think of each of this book's topics as being unrelated to the others. Each topic interacts with and affects the others, and all should align with the employer's strategic plan. For example, hiring people who don't have the potential to learn the job will doom their performance, regardless of how much training they get. Similarly, we will see throughout this book that each human resource management function, from job analysis to recruiting, selecting, training, and rewarding employees, should aim to produce the employee behaviors and competencies that the company needs to achieve its strategic goals.

## Chapter Review

### Chapter Section Summaries

1-1. All managers should be able to answer, **What is human resource management, and why is it important?** Doing so helps managers avoid problems like hiring the wrong person for the job. And more important, it can help ensure

that managers get results through people. Line managers' human resource duties include placing the right person on the job, and orienting and training new employees.

- 1-2. The trends shaping human resource management** are influencing what human resource managers do and how they do it. Globalization means more competition, and more competition means more pressure to lower costs and to make employees more productive and quality conscious. Technology is requiring more employees to be technologically well informed and pressuring employers to improve their human resource processes by applying new distributive technological tools. There is more emphasis on “knowledge work” and therefore on building “human capital,” the knowledge, education, training, skills, and expertise of a firm’s employees. Workforce and demographic changes mean that the workforce is becoming older and more diverse.
- 1-3.** In terms of the **components or pillars of human resource management today**, employers expect their human resource management teams to focus more on big-picture issues, including instituting human resource policies and practices that support the

companies’ strategic objectives, and to foster high performance through engaged employees.

- 1-4.** To do so, **the human resource managers need new competencies**. They should be able to apply evidence-based human resource management, which means the use of data, facts, analytics, scientific rigor, critical evaluation, and critically evaluated research/case studies to support human resource management proposals, decisions, practices, and conclusions.
- 1-5.** In understanding the overall **plan of this book**, keep several important themes in mind: that human resource management is the responsibility of every manager, that the workforce is increasingly diverse, that employers and their human resource managers face the need to manage in challenging economic times, and that human resource managers must be able to defend their plans and contributions in measurable terms—to use evidence-based management—to show they’ve added value.

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## Discussion Questions

- 1-1.** Explain what HR management is and how it relates to the management process.
- 1-2.** Give examples of how HR management concepts and techniques can be of use to all managers.
- 1-3.** Illustrate the HR management responsibilities of line and staff managers.
- 1-4.** Compare the authority of line and staff managers. Give examples of each.
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## Individual and Group Activities

- 1-5.** Working individually or in groups, develop outlines showing how trends like workforce diversity, technological innovation, globalization, and changes in the nature of work have affected the college or university you are attending now. Present in class.
- 1-6.** Working individually or in groups, contact the HR manager of a local bank. Ask the HR manager how he or she is working as a strategic partner to manage human resources, given the bank’s strategic goals and objectives. Back in class, discuss the responses of the different HR managers.
- 1-7.** Working individually or in groups, interview an HR manager. Based on that interview, write a short presentation regarding HR’s role today in building competitive organizations.
- 1-8.** Working individually or in groups, bring several business publications such as *Bloomberg Businessweek* and *The Wall Street Journal* to class, or access them in class via the Web. Based on their contents, compile a list titled “What HR Managers and Departments Do Today.”
- 1-9.** Based on your personal experiences, list 10 examples showing how you used (or could have used) human resource management techniques at work or school.
- 1-10.** Laurie Siegel, former senior vice president of human resources for Tyco International, took over her job just after numerous charges forced the company’s previous board of directors and top executives to leave the firm. Hired by new CEO Edward Breen, Siegel had to tackle numerous difficult problems starting the moment she assumed office. For example, she had to help hire a new management team. She had to do something about what the outside world viewed as a culture of questionable ethics at her company. And she had to do something about the company’s top-management compensation plan, which many felt contributed to the allegations by some that some former company officers had used the company as a sort of private ATM.

Siegel came to Tyco after a very impressive career. For example, she had been head of executive compensation at Allied Signal, and was a

graduate of the Harvard Business School. But, as strong as her background was, she obviously had her work cut out for her when she took the senior vice president of HR position at Tyco.

Working individually or in groups, conduct an Internet search and/or library research to answer the following questions: What human resource management–related steps did Siegel take to help get Tyco back on the right track? Do you think she took the appropriate steps? Why or why not? What, if anything, do you suggest she do now?

- 1-11. Appendices A and B of this book list the knowledge someone studying for the HRCI (Appendix A) or SHRM (Appendix B) certification exam needs to have in each



area of human resource management (such as in Strategic Management and Workforce Planning). In groups of several students, do four things: (1) review Appendix A and/or Appendix B; (2) identify the material in this chapter that relates to the Appendix A and/or Appendix B required knowledge lists; (3) write four multiple-choice exam questions on this material that you believe would be suitable for inclusion in the HRCI exam and/or the SHRM exam; and (4) if time permits, have someone from your team post your team's questions in front of the class, so that students in all teams can answer the exam questions created by the other teams.

## Experiential Exercise

### HR and "The Profit"

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**Purpose:** The purpose of this exercise is to provide practice in identifying and applying the basic concepts of human resource management by illustrating how managers use these techniques in their day-to-day jobs.

**Required Understanding:** Be thoroughly familiar with the material in this chapter, and with at least one or two episodes of CNBC's *The Profit* with Marcus Lemonis, [www.tv.com/shows/the-profit/watch/](http://www.tv.com/shows/the-profit/watch/). (Access a library of past episodes at URLs such as [www.cnn.com/live-tv/the-profit](http://www.cnn.com/live-tv/the-profit))

#### How to Set Up the Exercise/Instructions:

- Divide the class into teams of several students.
- Read this: As you may know by watching billionaire Marcus Lemonis as he works with actual small businesses in which he's taken an ownership share, human resource management often plays an important role in what he and the business owners and managers need to do to be successful. For example, at Grafton Furniture, a lack of clarity about who

does what (a lack of up-to-date job descriptions) leads to inadequate supervision of some ongoing orders and to lower profit margins. Questions also arise at Grafton about, for instance, the effectiveness of the training that some managers (including the owner's son) have received.

- Watch several of these shows (or reruns of the shows), and then meet with your team and answer the following questions:
- 1-12. What specific HR functions (recruiting, interviewing, training, and so on) can you identify Mr. Lemonis addressing on this show? Make sure to give specific examples based on the show.
  - 1-13. What specific HR functions can you identify as being problematical in this company? Again, please give specific answers.
  - 1-14. In terms of HR functions (such as recruiting, selection, interviewing, compensating, appraising, and so on) what exactly would you recommend doing to improve this company's performance?
  - 1-15. Present your team's conclusions to the class.

## Application Case

### Jack Nelson's Problem<sup>114</sup>

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As a new member of the board of directors for a local bank, Jack Nelson was being introduced to all the employees in the home office. When he was introduced to Ruth Johnson, he was curious about her work and asked her what the machine she was using did. Johnson replied that she really did not know what the machine was called or what it did. She explained that she had only been working there for 2 months. However, she did know precisely how to operate the machine. According to her supervisor, she was an excellent employee.

At one of the branch offices, the supervisor in charge spoke to Nelson confidentially, telling him that "something was wrong," but she didn't know what. For one thing, she explained, employee turnover was too high, and no sooner had one employee been put on the job than another one resigned. With customers to see and loans to be made, she continued, she had little time to work with the new employees as they came and went.

All branch supervisors hired their own employees without communication with the home office or other branches. When an opening developed, the supervisor tried to find a suitable employee to replace the worker who had quit.

After touring the 22 branches and finding similar problems in many of them, Nelson wondered what the home office should do or what action he should take. The banking firm generally was regarded as being a well-run institution that had grown from 27 to 191 employees during the past 8 years. The more he thought about the matter, the more puzzled Nelson became. He couldn't quite put his finger on the problem, and he didn't know whether to report his findings to the president.

## Continuing Case

### Carter Cleaning Company

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#### Introduction

A main theme of this book is that human resource management activities like recruiting, selecting, training, and rewarding employees are not just the job of a central HR group but rather a job in which every manager must engage. Perhaps nowhere is this more apparent than in the typical small service business. Here the owner/manager usually has no HR staff to rely on. However, the success of his or her enterprise (not to mention his or her family's peace of mind) often depends largely on the effectiveness through which workers are recruited, hired, trained, evaluated, and rewarded. Therefore, to help illustrate and emphasize the front-line manager's HR role, throughout this book we will use a continuing case based on an actual small business in the southeastern United States. Each chapter's segment of the case will illustrate how the case's main player—owner/manager Jennifer Carter—confronts and solves personnel problems each day at work by applying the concepts and techniques of that particular chapter. Here is background information that you will need to answer questions that arise in subsequent chapters. (We also present a second, unrelated “application case” case incident in each chapter.)

#### Carter Cleaning Centers

Jennifer Carter graduated from State University in June 2011 and, after considering several job offers, decided to do what she always planned to do—go into business with her father, Jack Carter.

Jack Carter opened his first laundromat in 1991 and his second in 2001. The main attraction of these coin laundry businesses for him was that they were capital—rather than labor—intensive. Thus, once the

#### Questions

- 1-16. What do you think is causing some of the problems in the bank's home office and branches?
- 1-17. Do you think setting up an HR unit in the main office would help?
- 1-18. What specific functions should an HR unit carry out? What HR functions would then be carried out by supervisors and other line managers? What role should the Internet play in the new HR organization?

investment in machinery was made, the stores could be run with just one unskilled attendant and none of the labor problems one normally expects from being in the retail service business.

The attractiveness of operating with virtually no skilled labor notwithstanding, Jack had decided by 2007 to expand the services in each of his stores to include the dry cleaning and pressing of clothes. He embarked, in other words, on a strategy of “related diversification” by adding new services that were related to and consistent with his existing coin laundry activities. He added these for several reasons. He wanted to better utilize the unused space in the rather large stores he currently had under lease. Furthermore, he was, as he put it, “tired of sending out the dry cleaning and pressing work that came in from our coin laundry clients to a dry cleaner 5 miles away, who then took most of what should have been our profits.” To reflect the new, expanded line of services, he renamed each of his two stores Carter Cleaning Centers and was sufficiently satisfied with their performance to open four more of the same type of stores over the next 5 years. Each store had its own on-site manager and, on average, about seven employees and annual revenues of about \$550,000. It was this six-store chain that Jennifer joined after graduating.

Her understanding with her father was that she would serve as a troubleshooter/consultant to the elder Carter with the aim of both learning the business and bringing to it modern management concepts and techniques for solving the business's problems and facilitating its growth.

#### Questions

- 1-19. Make a list of five specific HR problems you think Carter Cleaning will have to grapple with.
- 1-20. What would you do first if you were Jennifer?

## Writing Assignments

- 1-21. From a practical point of view, why is it important for all managers and future managers to have a good command of human resource management concepts and techniques?
- 1-22. Think of some companies that you are familiar with or that you've read about where you think the human resource managers have been successful in “adding value.” What do the HR managers do to lead you to your conclusion?

## Endnotes



Scan for Endnotes.