

Introduction to Human Resource Management and the Environment

Part

1

Human resource management (HRM) is the effective management of people at work. HRM examines what can or should be done to make working people more productive and satisfied. This book has been written for individuals interested in learning about people working within organizations. Its goal is to help develop more effective managers and staff specialists who work directly with the human resources of organizations.

Part One consists of four chapters. Chapter 1, “Human Resource Management,” introduces the reader to HRM and careers in HRM. The diagnostic approach is introduced in Chapter 2, “A Strategic Approach to Human Resource Management.” Chapter 2 also reviews behavioral science perspectives on managing people and shows how knowledge of these can be used to influence employee effectiveness. In addition, the chapter discusses the ways managers use knowledge of environmental factors—diversity of the labor force, technological change, globalization, government regulations, and union requirements—to influence employee performance. Chapter 3, “Legal Environment of Human Resource Management: Equal Employment Opportunity,” describes the influences of the legal environment on HRM. A number of major laws and regulations are discussed in this chapter, as well as throughout the book. Chapter 4, “Global Human Resource Management,” discusses HRM in the era of globalization. The “global enterprise” and the interdependence of nations have become a reality. Global mass markets, intense competition, and market freedom have fostered an international interest in managing human resources.

Chapter

1

Human Resource Management

Learning Objectives

After studying this chapter you should be able to:

1. **Describe** the fundamental aspects of *human resource management*.
2. **Describe** the strategic importance of human resource management (HRM) activities performed in organizations.
3. **Give examples** of career opportunities available in the HRM field.
4. **Compare** the role that specialists and operating managers play in performing HRM activities.
5. **Summarize** the main objectives pursued by HRM units in organizations.



HR Challenge

Don Brokop has, over the past several years, proved himself an outstanding shift supervisor at the Melody Machine Products Corp. plant in South Chicago. He has worked every shift, likes people, and recently was the winner of the Outstanding Plant Manager award. Don, now 41 years old, is beginning to look closely at his career plans. He believes that he needs to gain some experience in jobs other than production.

Last week a position opened at the plant for an assistant director of human resources. At first, Don gave no thought to the position, but later he asked his boss, Marty Fogestrom, about it. Marty encouraged Don to think his plans through and to consider whether he wanted to work in the area of human resource management.

Don talked with plant colleagues about the new position, searched through online versions of *HR Magazine*, *The Wall Street Journal*, and *BusinessWeek*, read over some HR job postings on www.monster.com and www.hotjobs.com, and found a number of interesting news items concerning human resource management. He discovered that many different careers existed in this field. He realized that he had not really understood the job done by Melody's department of human resources. What struck him most was that issues, problems, and challenges concerning people are what human resources are about.

Here are a few of the news items that caught his eye:¹

- During the height of a previous economic downturn, Ben Cheever lost his job as an editor at *Reader's Digest*. He decided to write a book (*Selling Ben Cheever: Back to Square One in a Service Economy*). In response to his sudden job loss he offered advice to others who had lost their jobs: (1) you are not your job title, (2) get past the shame barrier, (3) keep in touch with those in your network, and (4) always have a plan. In a nutshell—don't be shy; don't be ashamed; take action with confidence.
- The Web is a great place for HR managers and those interested in HRM to find suggestions, best-in-class examples, and resources. A favorite site of those in the know is www.shrm.org. SHRM, or the Society for Human Resource Management, is a well-known global professional HR organization with over 250,000 members in 140 countries. It offers a free job hunting portal (see "SHRM's HR Jobs").
- Training is a HRM activity. In 2010, U.S. firms spent a total of \$52.8 billion on training. In good and bad economic times the top firms stick with training and the message it sends about valuing people. Some of the top annual training budgets are found at IBM—\$1 billion; Ford Motor—\$500 million; Intel—\$319 million; and Boeing—\$250 million. Companies continue to stress the importance of training as a competitive business advantage.
- The number of companies offering employees online access to HR functions such as benefits enrollment, family status changes, and changes to 401(k) contributions is increasing. A survey conducted by Towers Perrin indicated 60 percent of employers reported that they allow employees to complete their benefits enrollment and to perform other HR functions online. These findings show a 30 to 50 percent increase across companies in one year.
- Many companies praise the benefits of telecommuting (employees who work at home on a regular basis) such as lower real estate costs, reduced turnover, increased productivity, and an increased ability to comply with workplace laws (e.g., Americans with Disabilities Act and Family and Medical Leave Act). However, a study of managers and employees by Boston College Center for Work & Family found some telecommuting disadvantages. It found that telecommuters work more, rate their work-life balance satisfaction lower, believe they have worse relationships with their managers and co-workers, and are less committed to their job. The pros and cons of telecommuting need to be studied over long time periods.
- The most family friendly workplaces have some common elements, according to this year's *Working Mother* magazine (www.workingmother.com) list of the 100 best

(continued on next page)

companies to work for. These include offering perks and benefits that workers value, including child care, company culture, work–life balance, flextime, and telecommuting (on a part-time basis). A few of the 2010 *Working Mother* 100 best companies include Bank of America, Discovery Communications, and PricewaterhouseCoopers. At Bank of America, employees have a large say in defining how they get their jobs done. At Discovery Communications, new moms are given nine weeks (with full pay) to stay at home with the newborn. PWC chose several fast-track female leaders for a new Breakthrough Leadership Development program.

- Don Tapscott, internationally recognized consultant, has been talking about a new knowledge-based economy for years. Microsoft, he says, has almost missed the environmental shift. The firm’s management was clinging to the view that it was a PC (personal computer) firm, ignoring the Web and its potential. It was not money that turned Microsoft around but human capital (knowledge). Brain power is what Tapscott claims saved Microsoft and makes it a major force in the 21st-century economy.

Don Brokop thought about his recent conversations, his career plans, the news stories, and the challenges of moving from production to human resource management. He thought his experience in first-line management would be helpful if he was fortunate enough to land the job, but he wondered if he was qualified for this kind of job. Otherwise, he was confident and considered his college education and experience invaluable. He wanted new challenges. Then he learned through the grapevine that the job was his if he wanted to make the move. If you were Don, would you be likely to make this kind of career shift? Don’s decision will be presented at the end of this chapter.

People, human talent, employees are assets not liabilities, being in the people business—these words and thoughts are common in modern society. Don Brokop is considering the challenges associated with this new wave of professional treatment and concern for people within organizations. Organizations are definitely in the people business—Don certainly saw this after only a quick review of a few news stories.

This book will focus on people and optimizing performance in organizational settings. The entire book will be concerned with the employees of organizations—the sales associates, website designers, software engineers, supervisors, managers, and executives. Small, medium, and large organizations, such as MicroTech, IBM, Kroger Supermarket, Procter & Gamble, Merck-Medco, CVS Pharmacies, eBay, and GAP understand clearly that to grow, prosper, and remain healthy they must optimize the return on investment of all resources—financial and human.

When an organization is really concerned about people, its total philosophy, culture, and orientation will reflect this belief. In this book, **human resource management (HRM)** is specifically charged with programs concerned with people—the employees. Human resource management is the function performed in organizations that facilitates the most effective use of people (employees) to achieve organizational and individual goals. Whether a human resource management function or department even exists in a firm, every manager must be concerned with people.

Terms such as *personnel*, *human resource management*, *industrial relations*, and *employee development* are used by different individuals to describe the unit, department, or group concerned about people. The term *human resource management* is now widely used, though a few people still refer to a *personnel department*. In order to be current, the term *human resource management* will be used throughout the book. It is a term that reflects the increased concern that both society and organizations have for people. Today, employees—the human resource—demand more of their jobs and respond favorably to management activities that give them greater control of their lives.²

Human resource management (HRM) consists of numerous activities, including

1. Equal employment opportunity (EEO) compliance.
2. Job analysis.
3. Human resource planning.
4. Recruitment, selection, motivation, and retention.
5. Performance evaluation and compensation.
6. Training and development.
7. Labor relations.
8. Safety, health, and wellness.

These activities are topics of various chapters in this book. They also appear as elements in the model of the HRM function that is used throughout the text. (This model is described in Chapter 2.)

The following five descriptions of the HRM unit should be stressed at the outset:

1. *It is action-oriented.* Effective HRM focuses on action rather than on record-keeping, written procedures, or rules. Certainly, HRM uses rules, records, and policies, but it stresses action as it partners with operating and business managers within the organization. HRM emphasizes the solution of employment problems to help achieve organizational objectives and facilitate employees' development and satisfaction.
2. *It is people-oriented.* Whenever possible, HRM treats each employee as an individual and offers services and programs to meet the individual's needs. McDonald's, the fast-food chain, has gone so far as to give an executive the title vice president of individuality.
3. *It is globally oriented.* HRM is a globally oriented function or activity; it is being practiced in India, Poland, and China. Many organizations around the world treat people fairly, with respect, and with sensitivity. Thus, American practitioners can review best-in-class HRM practices from around the world to determine if some principles can be applied or modified to work in the United States.
4. *It is future-oriented.* Effective HRM is concerned with helping an organization achieve its objectives in the future by providing for competent, well-motivated employees. Thus, human resources need to be incorporated into an organization's long-term strategic plans.
5. *It is strategically oriented.* Effective HRM practices should support the organization's business strategy. For example, if an organization plans to expand into China and India, then HR managers must plan on hiring employees with the appropriate language, culture, and international business skills and experiences.

The HR Journal on HRM 2.0 suggests several trends that HRM professionals must address as they craft high-impact talent management practices to help their organizations succeed.

A Brief History of Human Resource Management

The history of HRM can be traced to England, where masons, carpenters, leather workers, and other craftspeople organized themselves into guilds. They used their unity to improve their work conditions.³

The field further developed with the arrival of the Industrial Revolution in the latter part of the 18th century, which laid the basis for a new and complex industrial society. In simple terms, the Industrial Revolution began with the substitution of steam power and machinery for time-consuming hand labor. Working conditions, social patterns, and the

HR Journal HRM 2.0: Which of the Following HRM-Related Trends Are True?

True or false: Social media and networking sites like Facebook, Twitter, and LinkedIn are changing the ways HR professionals conduct recruiting and other HR-related activities.

True or false: In 2010, approximately 100,000 individuals filed charges of discrimination with the U.S. Equal Employment Opportunity Commission. This represented a 25 percent increase over the number of charges filed in 2000.

True or false: The Society of Human Resource Management continues to be the largest HR association in the world with over 250,000 members from 140 countries.

True or false: Many HR professionals from companies of all sizes believe that intense global competition and the emergence of developing markets like Brazil, India, and China are creating the need for employees with cross-cultural and international business knowledge.

True or false: At many workplaces, there can be up to four distinct generations working side by side—the traditionalists, baby boomers, Generation Xs, and Millennials (or Generation Ys)—which can lead in some instances to misunderstandings and frustration.

True or false: Some companies outsource significant parts of the HR function to organizations like IBM, Accenture, Convergys, and Hewitt in order to gain efficiencies and lower costs.

True or false: By 2016, the U.S. Bureau of Labor Statistics predicts that the labor force will be much

more diverse with an increasing number of older workers, women, and Hispanic and Asian Americans entering the workforce.

True or false: More and more employees are trying to achieve better work–life balance and are attracted to organizations that offer job sharing, flextime, and/or telecommuting work arrangements.

All of these HRM-related trends are true. HRM professionals, in order to be successful and have impact, need to understand and respond to these trends as they develop and implement initiatives and program within their organizations.

As these trends suggest, the field of HRM has come a long way from the days when it was considered a purely bureaucratic and administrative function in organizations where records were kept and payroll checks were issued. In contrast, HRM professionals of today have to manage not only the operational, day-to-day aspects of HRM but also to partner with the business leaders of the organization in order to provide value added insight and suggestions that support the organizational culture and strategic direction of the firm.

Sources: Adapted from Jennifer Schramm (June 2011), “Think Globally,” *HR Magazine*, pp. 156–57; Adrienne Fox (May 2011), “Mixing It Up,” *HR Magazine*, pp. 22–27; Charge Statistics FY 1997 Through FY 2010 (<http://www.eeoc.gov> accessed on June 22, 2011); Mitra Toosi, (November 2007), “Labor Force Projections to 2016—More Workers in Their Golden Years,” *Monthly Labor Review*, U.S. Bureau of Labor Statistics (<http://www.bls.gov> accessed on June 22, 2011); Ed Frauenheim (2009), “Xerox-ACS Deal Latest Shake-up in HR0 Market,” *Workforce Management*, pp. 15–16.

division of labor were significantly altered. A new kind of employee—a boss, who wasn’t necessarily the owner, as had usually been the case in the past—became a power broker in the new factory system. With these changes also came a widening gap between workers and owners.

Scientific management and welfare work represent two concurrent approaches that began in the 19th century and, along with industrial psychology, merged during the era of the world wars.⁴ Scientific management represented an effort to deal with inefficiencies in labor and management primarily through work methods, time and motion study, and specialization. Industrial psychology represented the application of psychological principles toward increasing the ability of workers to perform efficiently and effectively.

The renowned father of scientific management was Frederick W. Taylor. An engineer at Midvale Steel Works in Philadelphia from 1878 to 1890, he studied worker efficiency and attempted to discover the “one best way” and the one fastest way to do a job. He summarized scientific management as (1) science, not rules of thumb; (2) harmony, not discord; (3) cooperation, not individualism; and (4) maximum output, not restricted output.⁵

Whereas scientific management focused on the job and efficiencies, industrial psychology focused on the worker and individual differences. The maximum well-being of the worker was the focus of industrial psychology. Hugo Munsterberg and his book *Psychology and Industrial Efficiency* initiated in 1913 the field of industrial psychology.⁶ The book served as a stimulus and model for the development of the field in the United States and Europe.

The drastic changes in technology, the growth of organizations, the rise of unions, and government concern and intervention concerning working people resulted in the development of personnel departments. There is no specific date assigned to the appearance of the first personnel department, but around the 1920s more and more organizations seemed to take note of and do something about the conflict between employees and management.⁷ Early personnel administrators were called *welfare secretaries*. Their job was to bridge the gap between management and operator (worker); in other words, they were to speak to workers in their own language and then recommend to management what had to be done to get the best results from employees.

Another early contributor to HRM was called the *human relations* movement. Two Harvard researchers, Elton Mayo and Fritz Roethlisberger, incorporated human factors into work. This movement began as a result of a series of studies conducted at the Hawthorne facility of Western Electric in Chicago between 1924 and 1933. The purpose of the studies was to determine the effects of illumination on workers and their output. The studies pointed out the importance of the social interaction and work group on output and satisfaction. The human relations movement eventually, around the mid-1960s, became a branch of and a contributor to the field of organizational behavior.⁸

The early history of personnel still obscures the importance of the HRM function to management. Until the 1960s, the personnel function was considered to be concerned only with blue-collar or operating employees. It was viewed as a record-keeping unit that handed out 25-year service pins and coordinated the annual company picnic. Peter Drucker, a respected management scholar and consultant, made a statement about personnel management that reflected its blue-collar orientation. Drucker stated that the job of personnel was “partly a file clerk’s job, partly a housekeeping job, partly a social worker’s job, and partly firefighting, heading off union trouble.”⁹

Strategic Importance of HRM

The HRM function today is concerned with much more than simple filing, housekeeping, and record-keeping.¹⁰ When HRM strategies are integrated within the organization, HRM plays a major role in clarifying the firm’s human resource problems and develops solutions to them. It is oriented toward action, the individual, worldwide interdependence, and the future. Today it would be difficult to imagine any organization achieving and sustaining effectiveness without efficient HRM programs and activities. The strategic and competitive advantage importance of HRM to the survival of an organization will become clearer as we move into the book.¹¹

Strategic HRM differs significantly from traditional HRM. Exhibit 1–1 shows that the main responsibility for managing human resources in a traditional arrangement rests with HR specialists in a division (large companies) or team. In a strategic approach the main responsibility for people management rests with any individual that is in direct contact with them, such as line managers. Thus, any individual in an organization who has responsibility for people manages human resources in addition to his or her regular position.

For years the HRM function had not been linked to the corporate profit margin or what is referred to as the *bottom line*. The role of HRM in the firm’s overall strategy was usually couched in fuzzy terms and abstractions. HRM was merely a tagalong unit with people-oriented plans, not a major part of planning or strategic thinking.

EXHIBIT 1–1
Traditional HRM
and Strategic HRM
Characteristics

	Traditional HRM	Strategic HRM
Responsibility for human resources	HR specialists	Line managers
Objective	Better performance	Improved understanding and strategic use of human assets
Role of HRM area	Respond to needs	Lead, inspire, understand
Time focus	Short-term results	Short, intermediate, long-term
Control	Rules, policies, position power	Flexible, based on human resources
Culture	Bureaucratic, top-down, centralized	Open, participative, empowered
Major emphasis	Following the rules	Developing people
Accountability	Cost centers	Investment in human assets

Despite the appeal that strategic HRM is important, many organizations have had a difficult time adopting a strategic perspective. First, many organizations take a short-run approach and focus only on current and short-term performance. This is not surprising given the emphasis by Wall Street and many stockholders on achieving attractive quarterly performance results.

Second, many HR managers do not have a strategic perspective. They are narrowly trained and educated and pay attention primarily to their area of expertise—compensation, labor law, performance evaluation, diversity management, training, and other HR areas. They have insufficient knowledge of international operations, finance, accounting, marketing, and production.

Finally, while some progress is being made in measuring HRM activities, this is still a challenging endeavor. Placing values on and tracking HRM programs is challenging for many HR managers. Using such HR matrix requires quantifying human behavior and attitudes. Despite this fact, forward-looking companies like Google, Netflix, and Best Buy rely on data to make informed decisions about how best to manage their talent. The nearby Your Career Matters discusses how a person could differentiate himself or herself by using HR metrics.

Today, because of the recognition of the crucial importance of people, HRM in an increasing number of organizations has become a major player in developing strategic plans and facilitating changes within the organization.¹² Organizational and human resource plans and strategies are inextricably linked. The HRM strategies must reflect clearly the organization’s strategy regarding people, profit, and overall effectiveness. The human resource manager, like all managers, is expected to play a crucial role in improving the skills of employees and the firm’s profitability. In essence, HRM in a growing number of organizations is now viewed as a “profit center” and not simply a “cost center.”

The strategic importance of HRM means that a number of key concepts must be applied. Some of these concepts are

- Analyzing and solving problems from a profit-oriented, not just a service-oriented, point of view.
- Assessing and interpreting costs or benefits of such HRM issues as productivity, salaries and benefits, recruitment, training, absenteeism, overseas relocation, layoffs, meetings, and attitude surveys.

Your Career Matters *Make Impact by Using HR Metrics*

Think about a recent job you've had. Regardless of whether or not you were in charge, did you ever find yourself frustrated when a co-worker didn't show up for work? Or, when she quit right after she finished job training? Or, maybe you noticed a slacker who never gave 100 percent of her energy to the job.

What can be done about these types of problem employees? By using HR metrics (measures) to gather data about employee behavior and attitudes, you can make informed decisions about talent management that increase the effectiveness, productivity, customer service, job satisfaction, and morale of the organization. Not only are data-driven decisions good for the firm, but also you will enhance your own career prospects by earning a reputation as a results-oriented, analytical thinker.

Here are some examples of common HR metrics:

1. *Employee engagement.* Survey your employees to see if they are engaged in their jobs. According to a 2008–09 survey of 13,000 respondents, firms with involved and enthusiastic employees report 26 percent higher revenue per employee.
2. *Turnover rate.* Analyze the employees who are leaving the organization each year. How many? From which departments are they leaving? How many are top performers? Was it voluntary or involuntary? Organiza-

tions that hold onto their best employees avoid the costs associated with replacing them, estimated to cost up to three years of employees' salary and benefits.

3. *Training and development.* Assess whether the organization is getting a high return on investment from training its employees. This is important given that U.S. companies spent \$57 billion on training in 2008. Does training result in higher productivity? Do employees transfer what they learned in training to their actual jobs?

Other common HR metrics include average cost-per-hire, compensation levels, promotion rates, absenteeism rate, succession planning, and retirement rate.

In sum, use data to help optimize the decisions you make about people at work. By doing this, you will help differentiate yourself and thus increase your promotability within your organization or marketability in the job market.

Sources: Adapted from Kathryn Tyler (March 2011), "Prepare for Impact," *HR Magazine*, pp. 53–56; Thomas H. Davenport, Jeanne Harris, and Jeremy Shapiro (October 2010), "Competing on Talent Analytics," *Harvard Business Review*, pp. 52–58; B. Kreissl (September 2010), "10 Most Important HR Metrics," *Canadian HR Reporter*, pp. 17–22; "Strategic Business Intelligence for HR: Six HR Metrics No HR Executive Should be Without" (October 2009), *Workforce Management*, p. S3.

- Using planning models that include realistic, challenging, specific, and meaningful goals.
- Preparing reports on HRM solutions to problems encountered by the firm.
- Training the human resource staff and emphasizing the strategic importance of HRM and the importance of contributing to the firm's profits.

The increased strategic importance of HRM means that human resource specialists must show managers that they contribute to the goals and mission of the firm.¹³ The actions, language, and performance of the HRM function must be measured, precisely communicated, and evaluated. The new strategic positioning of HRM means that accountability must be taken seriously, and the investment in human assets is the focal point.

The era of accountability for HRM has resulted from concerns about productivity, from widespread downsizing and redesigning of organizations, from the need to effectively manage an increasingly diverse workforce, and from the need to effectively use all the resources of an organization to compete in an increasingly complex and competitive world.¹⁴

The HRM function today is much more integrated and strategically involved. The importance of recruiting, selecting, training, developing, rewarding, compensating, and motivating the workforce is recognized and practiced by managers in every unit and functional area of an institution. HRM and every other function must work together to achieve the level of organizational effectiveness required to compete locally and internationally.

If the HRM function is to be successful, managers in other functions must be knowledgeable and involved. Managers play a major role in setting the direction, tone, and

effectiveness of the relationship between the employees, the firm, and the work performed. Managers must understand that carrying out HRM activities and programs is strategically vital. Without managerial participation, there are likely to be major human resource problems. Since 2008, Howard Schultz, CEO of Starbucks, helped reinvigorate the health of the company by focusing on its people. First, he closed more than 7,000 stores for three hours one afternoon to retrain 135,000 baristas in how to create a perfect espresso shot. Customers gave higher rating scores in the weeks that followed. Second, Schultz brought 10,000 managers and employees to a leadership conference to build trust between the company and its people, while reinforcing the company's original values. Choosing New Orleans as host of the \$30 million event, Starbucks employees (when not in meetings) spent five hours each on community service projects. The volunteers spent a total of 50,000 hours cleaning neighborhoods, painting houses, restoring parks, and putting up new playgrounds.¹⁵

HRM and Organizational Effectiveness

HRM activities play a major role in ensuring that an organization will compete effectively and prosper. Organizational effectiveness is described in this book in terms of such criteria as performance, legal compliance, employee satisfaction, absenteeism, turnover, training effectiveness and return on investment, grievance rates, and accident rates. In order for a firm to survive and prosper and earn a profit, reasonable goals in each of these criteria must be achieved.¹⁶ In most organizations, effectiveness is measured by a combination of reaching goals, employing the skills and abilities of employees efficiently, and ensuring the influx and retention of well-trained and motivated employees.

Around the world, managers are beginning to recognize that human resources deserve attention because they are a significant factor in top-management strategic decisions that guide the organization's future operations. Three crucial elements are needed for firms to be effective: (1) mission and strategy, (2) organizational structure, and (3) HRM.¹⁷ However, it is important to remember that people do the work and create the ideas that allow the organization to survive. Even the most capital-intensive, best-structured organizations need people to run them.

People limit or enhance the strengths and weaknesses of an organization. Current changes in the environment are often related to changes in human resources, such as shifts in the composition, education, and attitudes of employees. The HRM function should plan for and respond to these changes.

The changes experienced by organizations around the world include growing global competition; outsourcing; virtual organizational structures; rapidly expanding technologies; increased demand for individual, team, and organizational competencies; faster cycle times; increasing legal and compliance scrutiny; and higher customer expectations. These changes combined with the realization that the performance of a firm's human assets must be managed, led, and coached have resulted in the need for more strategic planning and modern leadership practices. The mechanized or routine-oriented workforce is giving way to a more knowledge-based, information-rich workforce.¹⁸

One problem top management has in making strategic planning decisions regarding people is that all other resources are evaluated in terms of money, and at present, in most organizations, people are not. As the nearby Your Career Matters box illustrates, there has been a push toward applying talent analytics and human resource accounting, which would place dollar values on the human assets of organizations.¹⁹ Professional sports teams such as the New York Yankees place a dollar value on athletes. They then depreciate these values over the course of time.

If the objectives of the HRM function are to be accomplished, top managers will have to treat the human resources of the organization as the key to effectiveness. To do this—to accomplish the important objectives of HRM—management must regard the development of superior human resources as an essential competitive requirement that needs careful planning, hard work, and evaluation.

An increasing number of studies conducted in the United States and in other countries across industries from high-to low-technology firms emphasize the importance of people.²⁰ There is now evidence that shows that implementing high-performance management practices results in profitability gains, stock price increases, and higher company survival rates. One study of 968 firms found that a 1 standard deviation increase in the use of “people-first” practices is associated with a 7.05 percent decrease in turnover, \$27,044 more in sales, and \$18,641 and \$3,814 more in market value and profits, respectively.²¹ Another study found that a 1 standard deviation improvement in human resource practices was associated with a \$41,000 increase in shareholder wealth per employee.²²

Similar results of people-first improvements were found at Sysco, the \$37 billion food-service firm with 51,000 employees. After analyzing such factors as employee satisfaction, productivity, and retention, it was found that “operating units with highly satisfied employees have higher revenues, lower costs, greater employee retention, and superior customer loyalty.”²³

Based on the available research and analyses, we can specify some of the people-first practices that have contributed to the positive research findings. Each of these practices will be covered later in the book: employment security; selective hiring; self-managed teams; compensation linked to performance; training; and the sharing of performance, strategy, and operational information, data, and measures.²⁴

Objectives of the HRM Function

The contributions HRM makes to organizational effectiveness include the following:

- Helping the organization reach its goals.
- Employing the skills and abilities of the workforce efficiently.
- Providing the organization with well-trained and well-motivated employees.
- Increasing to the fullest the employee’s job satisfaction and self-actualization.
- Developing and maintaining a quality of work life that makes employment in the organization desirable.
- Communicating HRM policies to all employees.
- Helping maintain ethical policies and socially responsible behavior.
- Managing change to the mutual advantage of individuals, groups, the enterprise, and the public.
- Managing increased urgency and faster cycle time.

Helping the Organization Reach Its Goals

The HRM function is evolving to meet the current and future needs of the organizations they serve. As more organizations define success in both financial and sustainability terms, HRM leaders must become true business partners. Some of the value added contributions that HRM can make include managing talent for the short- and long-term; helping align human resources with the goals and strategies of the organization; and, facilitating change to keep pace with the changing environments in which organizations find themselves.²⁵

HR Journal *Getting the Most from Generation Y Talent*

Employers are now facing a new workforce pool of candidates referred to as Generation Ys. They are also called the Millennials or echo boomers. Individuals born between 1980 and 2000 make up Generation Y. About one-fourth of new immigrants to the United States are also part of this 76 million strong generation.

Generation Y members are used to making and spending money on high-tech gadgets like the latest smart phone, MP3 player, computer tablet, or e-Book reader. They tend to be skeptical customers, somewhat distrusting, and are independent. For the HRM area this means that company materials, including websites, will need to offer potential hires easy, independent access to information that Generation Ys can evaluate.

Research shows that 23 percent of Generation Xs (born between 1965 and 1979), like Generation Ys, do not identify with a religious denomination or do not believe in God. This is more than twice the number of non-believers among baby boomers, or those born between 1946 and 1964.

The introduction of Generation Ys into the workplace raises the possibility of conflict. For example, Generation Y employees are much more likely to value work-life balance than previous generations. By work-life balance, Generation Y employees expect vacation time (soon after beginning a new job), flexible schedule, and an understanding supervisor who supports their work-life

balance goals. Generation Y and Generation X members working together will be a challenging task. To prepare for Generation Ys, managers should consider the following practices:

1. Manage expectations about importance of "paying dues."
2. Create customized career paths.
3. Provide more public praise and feedback.
4. Encourage the use of mentors.
5. Provide access to innovative technology.
6. Allow for input into job-related decisions.
7. Accept that the line between work and home doesn't exist.

These are a few management pointers for working with a large new generation that is beginning to enter the workforce. This generation is forcing organizations to think more creatively about work-life balance.

Sources: Jean M. Twenge (2010), "A Review of the Empirical Evidence on Generational Differences in Work Attitudes," *Journal of Business and Psychology*, pp. 201–210; Penelope Trunk (July 5, 2007), "What Gen Y Really Thinks," *Time Online* (<http://www. . . .>); www.time.com/time/printout/0,8816,1640395,00.html; Cheryl Wetzstein, (April 12, 2005), "Generation Y Embraces Choice, Redefine Religion," *Washington Times*; "The New Workforce: Generation Y" (Summer 2001), *Workplace Visions*, pp. 1–8.

Efficiently Employing the Skills and Abilities of the Workforce

Clyde Benedict, the chief personnel officer for Integon Corporation, stated this purpose somewhat differently. He said the purpose is "to make people's strengths productive, and to benefit customers, stockholders, and employees. I believe this is the purpose Walt Disney had in mind when he said his greatest accomplishment was to build the Disney organization with its own people."

The HR Journal points out that a new Generation Y wave of employees is entering the workforce. Managing their skills and abilities will require some preparation and consideration of their similarities and differences with other generations.

Providing Well-Trained and Well-Motivated Employees

This is a measure of effectiveness for HRM. David Babcock, chair of the board and chief executive officer of the May Company, phrases this purpose as "building and protecting the most valuable asset of the enterprise: people."

Norman Augustine, ex-chair of Martin Marietta and current chair of the U.S. Human Space Flight Review Committee, is specific about how to motivate people when he states, "If you want to improve performance, people must see justice in the rewards you give. Reward good results, but don't reward people who don't perform. Make the goals clear, and how they are measured, with no room for side issues like whether someone's a nice person."²⁶

HRMemo Talent management—the process of recruiting, developing, and retaining top employee talent—has become a major priority for many organizations as they begin to add individuals to the payroll following the recent recession. A survey by Towers Watson identified the following top priorities: (1) leadership development programs, (2) career planning, (3) mentoring, and (4) performance management.

Sources: Adapted from Phaedra Brotherton, “Improving Economy Books Talent Management Efforts” (January 2011), *T + D*, Vol. 65, Iss. 1, pp. 16–18; Amanda Silliker (June 6, 2011), “Talent Management: Just Another Buzzword?” *Canadian HR Reporter*, Vol. 24, Iss. 11, p. 8.

HRM’s effectiveness measure—its chief effectiveness measure, anyway—is to provide the right people at the right phase of performing a job, at the right time for the organization.

Increasing Employees’ Job Satisfaction and Self-Actualization

Thus far, the emphasis has been on the organization’s needs. But unlike computers or smart phones, employees have feelings. For employees to be productive, they must feel that the job is right for their abilities and that they are being treated in a fair manner. For many employees, the job is a major source of personal identity. Most of us spend the majority of our waking hours at work and getting to and from work. Thus, our identity is tied closely to our jobs and careers.

Satisfied employees are not *automatically* more productive. However, unsatisfied employees do tend to quit more often, be absent more frequently, and produce lower-quality work than satisfied workers. Nevertheless, both satisfied and dissatisfied employees may perform equally in quantitative terms, such as processing the same number of insurance claims per hour.

Achieving Quality of Work Life

This purpose is closely related to the previous one. Quality of work life is a somewhat general concept, referring to several aspects of the job experience. These include such factors as management and supervisory style, freedom and autonomy to make decisions on the job, satisfactory physical surroundings, job safety, satisfactory working hours, and meaningful tasks. Basically, a sound quality of work life (QWL) program assumes that a job and the work environment should be structured to meet as many of the worker’s needs as possible.

Jac Fitz-Enz, president of Saratoga Institute (www.humancapitalsource.com), believes that American business has done a good job of dealing with many organizational inefficiencies, such as poor productivity, spiraling benefits costs, and poor quality.²⁷ He believes that people need to have a stake in their work and that employees will respond when employers pay attention to their personal needs and their work situations. For example, one senior partner at the global accounting firm Ernst & Young had trouble retaining talented junior people who tired of working 70- and 80-hour workweeks. So, he and his team redesigned their work activities so that they worked fewer hours, had more weekends free, and could take real vacations. This six-month redesign effort resulted in better work quality and higher job satisfaction and retention.²⁸

Communicating HRM Policies to All Employees

Chuck Kelly, director of human resources of a small manufacturing firm, expressed this objective as follows: “Communicating HRM programs does not just happen; a manager has to work at it constantly.” HRM’s responsibility is “to communicate in the fullest possible sense both in tapping ideas, opinions, and feelings of customers, noncustomers, regulators, and other external publics, and in understanding the views of internal human resources.”

Closely related to communication within the organization is representation of the organization to those outside: trade unions and local, state, and federal government bodies that pass laws and issue regulations affecting HRM. The HRM department must also communicate effectively with other top-management people (e.g., marketing, production, and research and development) to illustrate what it can offer these areas in the form of support, guidance, and techniques, and to increase its contribution to the overall strategic mission and goals of the organization.

Maintaining Ethical Policies and Socially Responsible Behavior

The human resource manager plays an important role in showing by example that each employee is important and will be treated ethically. That is, any activity engaged in by the HRM area will be fair, truthful, and honorable; people will not be discriminated against,

and all of their basic rights will be protected. These ethical principles should apply to all activities in the HRM area.

Hewlett-Packard earned the number 1 spot for Best Corporate Citizen in 2010. This achievement was based on high scores in the following criteria: environment, human rights, climate change, employee relations, philanthropy, corporate, and financial governance. Michael Mendenhall, a senior vice president of HP, summed up the firm's socially responsible approach in this way: "Global citizenship is integral to the success of HP's business."²⁹

Managing Change

In the past decade, there have been rapid, turbulent, and often strained developments in the relationship between employers and employees. New trends and changes have occurred in telecommuting, outsourcing, HRM practices, family medical leave, child care, spousal relocation assistance, pay for skills, benefit cost-sharing, union-management negotiations, testing, and many other HRM areas of interest. Nearly all of these trends and changes can be traced to the emergence of new lifestyles and an aging population.³⁰

What these changes mean to HR managers is that new, flexible approaches must be initiated and used effectively without jeopardizing the survival of the organization. HR managers must cope with trends and changes while still contributing to the organization.

Managing Increased Urgency and Faster Cycle Time

Today firms place a growing emphasis on speed and urgency. The ability to increase customer service, the development of new products or services for the market, and the training and education of technicians, managers, and astute decision makers are thought of in terms of cycle time.³¹ Frameworks for cycle time reduction focus on effective management not only of products and services, but also human resources. Faster cycle time to train, educate, and assign managers; solve sexual harassment complaints; recruit and select the most talented people; and improve the firm's image are becoming important milestones for organizations.

Organizational learning provides a framework for increasing cycle time. Key areas within this framework are leadership behaviors, a culture that encourages and rewards learning, and an emphasis on learning to work more efficiently, quickly, and confidently. Quicker and more flexible decision making and an increased sense of empowerment are also emphasized in firms using a learning framework.

Foreign and domestic competition, technological changes, and the emergence of new opportunities encourage faster, more urgent management behaviors. A leisurely pace of conducting business is a thing of the past. The 40-hour workweek is outdated. At firms like Credit Suisse, PricewaterhouseCoopers, Microsoft, Intel, Novell, and Goldman Sachs, 60–80 hour workweeks are both the norm and the expectation. FedEx has a policy that every customer or employee query is answered the day it is asked. At Chaparral Steel, employees are encouraged to learn every job in their department. This learning approach enhances flexibility and provides employees with opportunities to be challenged.

The pressures to increase learning and reduce cycle time while at the same time reducing costs and expenses are today's competitive realities. If firms are to remain competitive, HRM activities performed by specialists and operating managers are going to have to be in sync with the firm's environment. This environment demands speed, urgency, top quality, and high-value products and services.³²

These are the most significant and widely accepted HRM objectives. There are, of course, other objectives and different ways of stating them. But these can serve as guidelines for the HRM function in organizations. Effective HR departments set specific, measurable objectives to be accomplished within specified time limits.

Who Performs HRM Activities

Delegation of HRM duties has changed over time. In most organizations two groups perform HRM activities: HR manager–specialists and operating managers. Operating managers (supervisors, managers, department heads, vice presidents) are involved in HRM activities because they are responsible for effective utilization of *all* the resources at their disposal. The human resource is a very special kind of resource. If it is improperly managed, effectiveness declines more quickly than with other resources. And in all but the most capital-intensive organizations, the investment in people has more effect on organizational effectiveness than resources such as money, materials, and equipment.

Therefore, operating managers spend considerable time managing people. Just as an operating manager is personally responsible if customer satisfaction ratings are dropping and a new marketing campaign is ineffective, he or she must see to the training, performance, and satisfaction of employees. Research indicates that a large part of an operating manager's day is spent in unscheduled and scheduled meetings, telephone and face-to-face conversations, and solving problems that have a direct impact on people. The manager, through constant contact with many different people, attempts to solve problems, reach decisions, and prevent future difficulties.³³

Smaller organizations usually do not have their own HR unit, so the operating managers assume many HRM responsibilities, such as scheduling work, designing jobs, and recruiting, selecting, compensating, and disciplining employees, and compensating people. As the organization increases in size, the operating manager's work is divided up, and some of it becomes specialized. HRM is one such specialized function. Usually the manager of a unit first assigns an assistant to coordinate certain HRM matters. HR specialists are employed in organizations with about 100 to 150 employees, and an HR department is typically created when the number of employees reaches 200 to 500, depending on the nature of the organization.

Outsourcing

Outsourcing, or contracting with a vendor to perform on a recurring basis an HRM activity previously performed by a firm, is growing in popularity. The world market for outsourced services (which includes HRM activities) was over \$1,400 billion in 2009, with China and India being the most popular destination countries.³⁴ It has been estimated that approximately 87 percent of large North American firms outsource some HRM activities. The drivers of increased outsourcing include downsizing, rapid growth of business, globalization, increased competition, and restructuring to achieve cost savings.³⁵

Some executives assume that outsourcing some HRM activities is a competitive advantage. It is assumed that outsourcing can reduce costs, improve flexibility, and permit the hiring of specialized expertise. The choice to outsource some, all, or none of the HRM activities is being made with little empirical support.³⁶ However, outsourcing is likely to continue as decision makers search for ways to improve the financial and operating performance of firms.

The Interaction of Operating and HR Managers

With two groups of people (operating managers and HR specialists) making HRM decisions there can be conflict.³⁷ Conflict occurs because operating and HR managers sometimes differ on who has authority for what decisions, or there may be other differences between operating and HR managers. They have different orientations, called *line and staff*, which have different objectives. A *staff* person typically supports the primary functions such as marketing and production by providing advice, counsel, and information. The picture of organizational life portrayed by a textbook assumes that the staff does not wield direct authority over the line

manager. *Line managers* have the authority to make final decisions concerning their operations. However, the specific distinction between line managers and staff is not as clear-cut in actual organizations. More often than not, members of the HR unit have much to say about various programs and activities. Consider recruitment and selection practices and the crucial role played by HR specialists. Line managers are generally not familiar with the legal requirements concerning recruitment and selection. Therefore, they welcome the HR experts' involvement and direct authority in making final decisions.

The conflict between HR employees and operating managers is most pressing when there must be joint decisions on such issues as discipline, physical working conditions, termination, transfer, promotion, and employment planning. Research indicates that operating managers and HR specialists differ on how much authority employees should have over job design, labor relations, organizational planning, and certain rewards, such as bonuses and promotions.³⁸

In the last decade, sweeping changes in business, globalization, technology, and demography not only changed the role of HRM, but the role of operating managers as well. Line managers now have greater responsibilities, managing more people and/or bigger projects. Steve McElfresh, CEO of a consulting firm, explains: "Before, line managers were masters of routine. Now they must be masters of change." In addition, research shows that people don't leave companies—they leave managers. Because operating managers are expected to do so much, they realize that HRM can help them do a better job.

However, there is still tension and conflict between some HRM units and operating managers. Lilly Eng, a line manager at Allstate Insurance stated, "In many respects, HRM is viewed as a company policeman from whom many managers get tired of being told no." Others also tell stories of HRM inflexibility and overattention to detail.

Suggestions on how to improve the HRM and operating manager relationship abound. A few plead for HRM to analyze every HRM activity and show what it offers to the organization in terms of added value. HRM units are also encouraged to understand the business so they can become strategic partners with line managers. HRM specialists are requested to seek out operating managers. They are also asked to help managers avoid problems. Being more flexible and open to the ideas of others is a recommendation that applies to both HRM and operating managers.

HRM's Place in Management

An increasing number of firms recognize that the HR department has a responsibility to be a proactive, integral component of management and the strategic planning process.³⁹ This new emphasis does not replace the competence required in counseling, consulting, industrial relations, or managerial control systems. Instead, it is an orientation that states that an HR department must do more than simply sit and listen when strategic management plans are nurtured and developed. The department must determine a strategic direction for its own activities that will make it a proactive arm of the management team. To accomplish this new role, HRM must ascertain specific organizational needs for the use of its competence, evaluate the use and satisfaction among other departments, and educate management and employees about the availability and use of HRM services. The long-range goal of any HRM strategic plan must be to build on the firm's strengths.

The theoretical work in business strategy has given a boost to the importance of HRM in creating a firm's sustained competitive advantage.⁴⁰ Organizations can develop a competitive advantage over other firms only by creating value in a way that is rare and difficult for competitors to imitate. Unlike capital investments, patents, or technology, a properly functioning HRM system is an invisible asset that creates value when it is so embedded in the firm's operational systems that it enhances the organization's capabilities.⁴¹ The compensation system, training opportunities, diversity management programs, and other programs

planned, implemented, and evaluated by HRM must become so important and so effective that any unit within the firm knows they are needed for the firm to be successful. For example, Google uses information about employee performance to identify problems before they escalate. Laszlo Bock, the vice president of People Operations, reaches out to those performers who end up in the bottom 5 percent to see whether they need additional training, job coaching or other assistance. Google hires talented individuals and wants to help them succeed.⁴² This is what is meant by HRM's competitive advantage.

As HRM executives play an increasingly dominant role at the organization's strategic planning table, they must continually educate the members of other departments or units about the human resource implications of various decisions.⁴³ Thus, the HR executive must be familiar with other aspects of the organization—investments, advertising, marketing, production control, computer utilization, and research and development. It is crucial to know the business.

HR Department Operations

Both the makeup and the procedure of HR departments have changed over time. HR units vary by size and sector, but most organizations keep them small. One study found that in the largest headquarters unit there were 150 people.⁴⁴

The number of HR specialists in relation to the number of operating employees, or the *personnel ratio*, varies in different industries. According to one study, the national average is 1 HR specialist per 100 employees. Some industries—construction, agriculture, retail and wholesale trade, and services—have fewer personnel specialists than the average. Others—public utilities, durable goods manufacturing, banking, insurance, and government—have an above-average ratio.

HRM Strategy

A firm's **HRM strategy** is the pattern or plan that integrates the major objectives, policies, and procedures into a cohesive whole. A well-formulated HRM strategy will help aggregate and allocate a firm's resources into a unique entity on the basis of its internal strengths and weaknesses, changes in the environment, and the anticipated actions of competitors.

Samsung is South Korea's largest *chaebol* (industrial group) with annual sales of over \$172.5 billion in 2009. The firm consists of 14 companies ranging from manufacturing companies to service firms. The company is the world's number 1 maker of computer memory chips. It employs over 276,000 people.

Samsung believes that people are the future of the company. Samsung employees recognize their duties as members of a global society to exert their full potential and contribute to the betterment of society.

Samsung's success depends upon its employees. Customer satisfaction and sustainable corporate growth can only be assured when employees are supported and fulfilled. Company policy has long dictated that employees be guaranteed respect, fair treatment, rewards for competence, and opportunities for personal growth in a supportive environment. The firm strongly believes that training and development of its employees help the firm accomplish its strategy accomplishment indicators—customer satisfaction and sustainable corporate growth.⁴⁵

Clarifying Meaningful HRM Objectives

The *objectives* of an organization or department are the goals it seeks to achieve—its reason for existence. Eight objectives of the HRM function have already been pointed out, but most of these objectives were stated in very general terms.

To help the organization achieve these objectives, more specific statements are developed in larger, most midsized, and some smaller organizations. For example, suppose that one of a number of **HRM objectives** is to increase employees' satisfaction with opportunities for advancement.

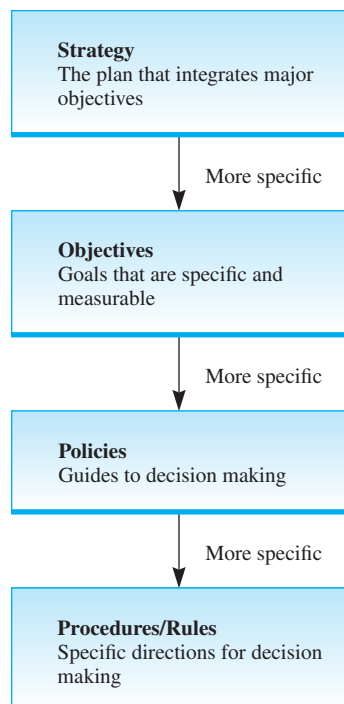
How can this objective be achieved? First, management must measure employees' satisfaction with advancement opportunities. Management could design an attitude survey to ask employees how satisfied they are with facets of their jobs. The key issue is to determine the degree of job satisfaction associated with advancement opportunities. Next, the organization could use the survey information to develop plans to correct any deficiencies in satisfaction with advancement opportunities. These plans are called *policies and procedures* and *rules*. Exhibit 1–2, which illustrates the relationship between objectives, policies, and rules, indicates that objectives are the most general factor. For example, maintaining a high level of job satisfaction for employees is an objective. An organization makes an objective more specific by developing policies.

HRM Policy

An **HRM policy** is a general guide that expresses limits within which action should occur. Policies are developed from past problem areas or for potential problem areas that management considers important enough to warrant policy development. Policies free managers from having to make decisions in areas in which they have less competence or on matters with which they do not wish to become involved. Policies ensure some consistency in behavior and allow managers to concentrate on decisions in which they have the most experience and knowledge.

After the broadest policies are developed, some organizations develop procedures and rules. These are more specific plans that limit the choices of managers and employees,

EXHIBIT 1–2
Relationship between
Strategy, Objectives,
Policies, and
Procedures and Rules



as Exhibit 1–2 shows. Procedures and rules are developed for the same reasons as policies.

HRM Procedures

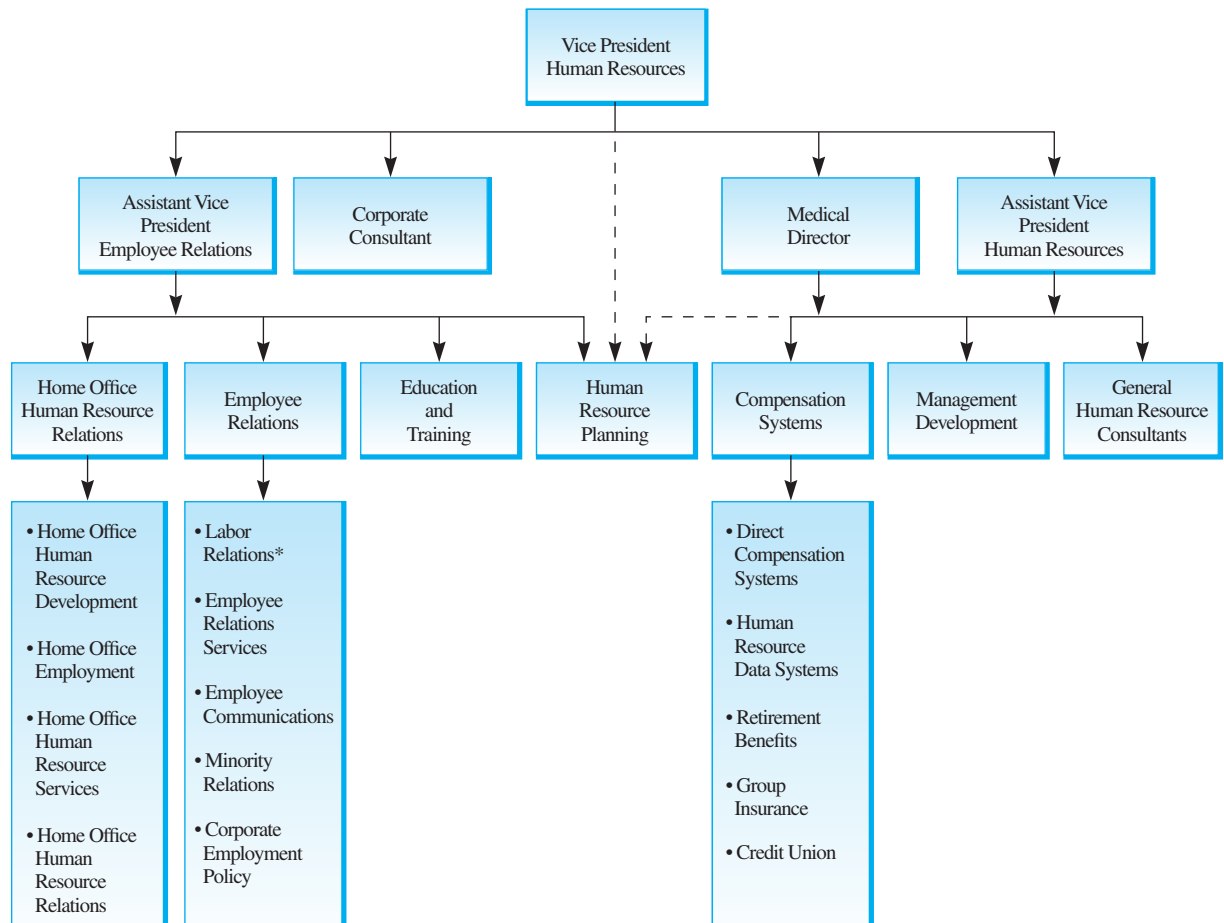
An **HRM procedure** or rule is a specific direction to action. It tells a manager how to do a particular activity. In large organizations, procedures are collected and put into manuals, usually called *standard operating procedures* (SOPs).

Organizations must be careful to have consistent decision making that flows from a well-developed, but not excessive, set of policies and procedures. Some organizations, in effect, eliminate managerial initiative by trying to develop policies and procedures for everything. Procedures should be developed only for the most vital areas.

Organization of an HR Department

In most private organizations, the chief HR executive reports to the top manager—in larger firms, perhaps to an executive vice president. Exhibit 1–3 shows the way HRM is organized in a large insurance business. The vice president of human resources has responsibility and authority for all HRM activities within the firm.

EXHIBIT 1–3 Organization of HRM in a Large Insurance Company



*Manager of function is also assigned general human resource consultant responsibilities.

Don Brokop is ready to make an important career decision. He now understands the role that human resource management plays at Melody. He can see that HRM is important not only to his firm, but also to society. The people business is the job of all managers in an organization. Don has decided to accept the assistant director position and to become involved on a full-time basis with HRM activities.

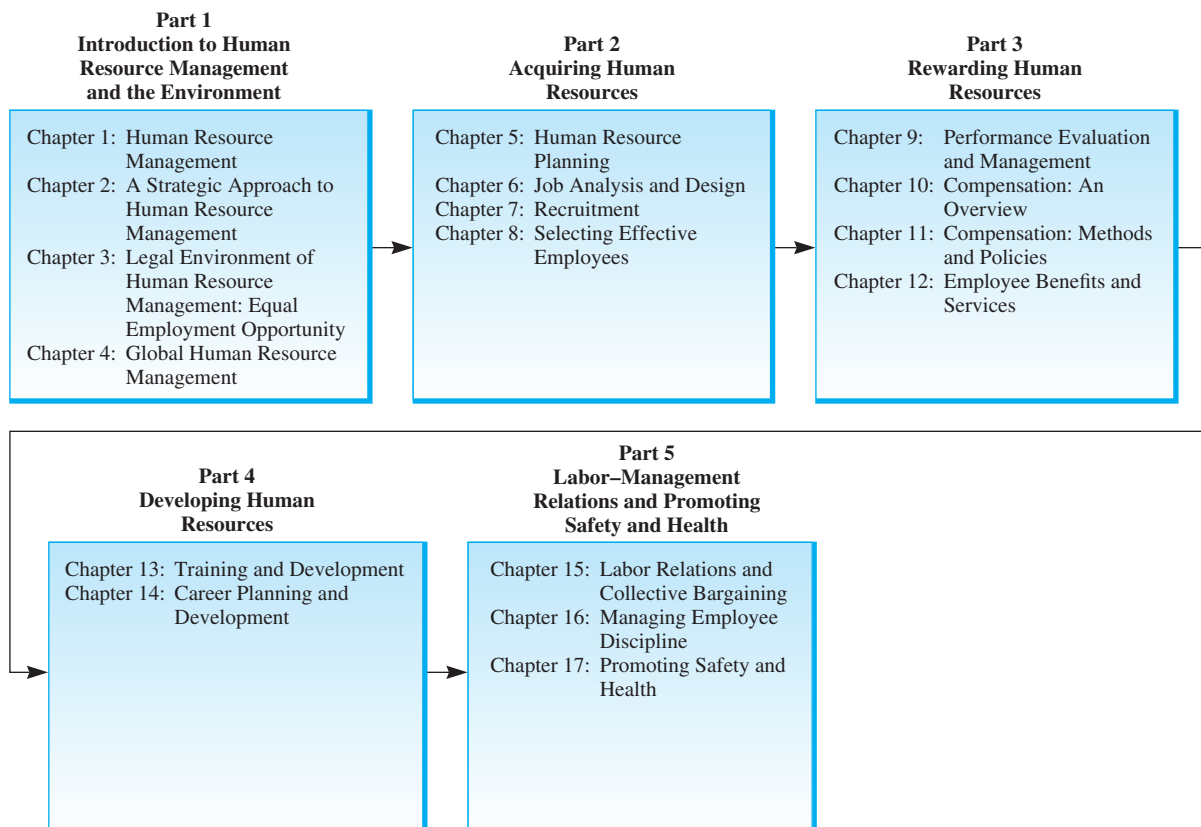
The activities that Don will learn about firsthand are what this book is about. As you learn more about HRM, think about Don Brokop and how he stepped from the operating level of management into the HR role in the Melody plant. His on-the-job training will be invaluable in his personal growth and development. However, Don will also have to supplement this firsthand experience with reading and self-learning. Your job now is to dig into the type of reading and self-learning that Don will use to make himself a more successful HRM practitioner.

There are, of course, other decisions that could be made in this situation. What would you have decided if you were Don?

In medium-sized organizations (500 to 5,000 employees) and smaller organizations (under 500 employees), HRM and other functions, such as public relations, may be part of a single department.

Thirty percent of all HR managers work for local, state, and federal governments. The legislature and the governor set policy for departments, subject to review by the courts, and

EXHIBIT 1-4 Organization of Human Resource Management



then appoint an HR commission that is headed by an HR officer. This central HR unit is a policy-making body that serves a policy, advisory, and regulatory purpose similar to that of the home office HR unit of a business. At the federal level, this personnel commission is called the U.S. Office of Personnel Management.

In nonprofit organizations, such as hospitals and universities, HRM typically is a unit in the business office. More will be said in Chapter 2 about differences in HRM work in these three settings. HR specialists are usually located at the headquarters of an organization, but larger organizations may divide the HRM function. Usually the largest group is at headquarters, but HR advisers may be stationed at unit and divisional levels. In this case, the headquarters unit consists of specialists or experts on certain topics and advisers to top management, while the unit-level HR people are generalists who advise operating managers.

Regardless of how different types of organizations structure their HR units, HR professionals will be tasked with performing many of the activities illustrated in Exhibit 1–4. As a result, this textbook is organized around these primary HRM functions: introduction to HRM; acquiring, rewarding, and developing human resources; and managing labor relations, employee discipline, and safety and health initiatives.

Summary

This chapter concludes with a list of statements summarizing the most important concepts covered. You can use this list to review your understanding of the HRM process, HRM activities, and what operating managers will need to effectively implement the HR manager's job.

In your introduction to this field, HRM has been defined as the function or unit in organizations that facilitates the most effective use of human resources to achieve the objectives of both the organization and the employees. This introduction has described some of the characteristics of HR managers and a number of approaches to the organization and operation of HR units. It has concluded with a brief description of how the material in this book is organized and the devices used to present it. A special appendix to this chapter describes typical careers in HRM, suggests ways HR specialists can achieve greater professionalism, and briefly describes accreditation procedures.

To summarize the major points covered in this chapter:

1. HRM is action-oriented, individual-oriented, globally oriented, and future-oriented. It focuses on satisfying the needs of individuals at work.
2. HRM is a necessary function. Effectively performed, it can make the crucial difference between successful and unsuccessful organizations.
3. One of the challenges faced in HRM is that many decisions require input from both operating managers and HR specialists.
4. This dual purpose can lead to conflict, or it can result in more effective HRM decisions.

HRM is one of the most challenging and exciting functions in an organization. This book has been written to help you face these challenges more effectively since many of you will become managers who must use and apply HRM activities, tools, and policies. Every manager is involved, in some way, with HRM.

Key Terms

HRM objectives, *p. 18*
HRM policy, *p. 18*

HRM procedures, *p. 19*
HRM strategy, *p. 17*

Human resource management (HRM), *p. 4*

Questions for Review and Discussion

1. Why is the HR department playing a more significant role in organizational strategic planning processes today than it did 20 years ago?
2. Why is it correct to conclude that all managers should be involved in developing and implementing HRM activities and programs?
3. How has increased globalization influenced the way HRM is practiced in the United States?
4. Why has the HRM function increased in stature and influence in many organizations?
5. In your opinion, which of the HRM functions appears to be the most challenging to implement? Why?
6. What difficulties would an HRM executive face in assessing and then communicating the contribution of his or her area to the company profit margin?
7. The text proposes that Peter Drucker is incorrect when he states that work in HRM is nothing more than the work of a file clerk. What has happened in the world of work to make his statement false?
8. Why is it necessary for the HRM area to clearly communicate to employees human resource policies?
9. Why should even very small firms (with 10 to 100 employees) be concerned about HRM?
10. What do you think about Don Brokop's decision to accept the position of assistant director in HR?

Application Case 1-1

The Human Resource Manager and Managing Multiple Responsibilities

At 7:30 A.M. on Monday, Sam Lennox, human resource manager of the Lakeview plant of Supreme Textile Corporation, pulled out of his suburban home and headed for work. It was a beautiful day; the sun was shining in a bright-blue sky, and a cool breeze was blowing. The plant was about nine miles away and the 15-minute ride gave Sam an opportunity to think about business problems without interruption.

Supreme Textile Corporation owned and operated five plants: one yarn-spinning operations, two knitting plants, and two apparel-making operations. Supreme enjoyed a national reputation for high-quality products, specializing in men's sports shirts. Corporate headquarters was located in Twin-Cities adjacent to two of the plant operations. The Hillsville, Eastern, and Lakeview plants were 100 to 200 miles apart. Each employed 70 to 100 people. About 250 employees were located at headquarters in Twin-Cities.

Sam had started with Supreme's Eastern plant after college. He progressed rapidly through several staff positions. He then served two years as a night foreman. He became known for his ability to organize a "smooth team," never having a grievance procedure brought against him. While his productivity figures were not outstanding, he was given credit by many people in the company for being the person who prevented the union from successfully organizing the Eastern plant. As a result, he was promoted to assistant personnel manager.

Sam's progress was noted by Glenna Johnson, corporate vice president of personnel. Glenna transferred Sam to the Lakeview plant, which was having some personnel problems, as a special staff assistant. Six months later he was made personnel manager when

the incumbent suddenly resigned. Sam had been able to work out most of the problems and was beginning to think about how to put together a first-rate personnel program.

Sam was in fine spirits as his car picked up speed, and the hum of the tires on the newly paved highway faded into the background. He said to himself, “This is the day I’m really going to get things done.”

He began to run through the day’s work, first one project, then another, trying to establish priorities. After a few minutes, he decided that the management by objectives (MBO) program was probably the most important. He frowned for a moment as he recalled that on Friday, Glenna Johnson had asked him if he had given the project any further thought. He had been meaning to get to work on this idea for over three months, but something else always seemed to crop up. “I haven’t had much time to sit down and really work it out,” he said to himself. “I’d better hit this one today for sure.” With that, he began to break down the objectives, procedures, and implementation steps. “It’s about time,” he told himself. “This idea should have been followed up long ago.” Sam remembered that he and Johnson had discussed it over a year ago when they had both attended a seminar on MBOs. They had agreed it was a good idea, and when Sam moved to the Lakeview plant they decided to try to implement it there. They both realized it would be met with resistance by some of the plant managers.

A blast from a passing horn startled him, but his thoughts quickly returned to other projects he was determined to get under way. He started to think about ideas he had for supervisory training programs. He also needed to simplify the employee record system. Not only was the present system awkward, but key information was often lacking. There were also a number of nagging carryover employee grievance problems. Some of this involved weak supervisors, poor working conditions, and poor communications and morale. There were a few other projects he couldn’t recall offhand, but he could tend to them after lunch, if not before. “Yes, sir,” he said to himself, “this is a day to really get rolling.”

Sam’s thoughts were interrupted as he pulled into the parking lot. He knew something was wrong as Al Noren, the stockroom foreman, met him by the loading dock. “A great morning, Al.” Sam greeted him cheerfully.

“Not so good, Sam, my new man isn’t in this morning,” Al growled.

“Have you heard from him?” asked Sam.

“No, I haven’t,” replied Al.

Sam frowned. “Better call him,” he said.

Al hesitated for a moment before replying, “Okay, Sam, but can you find me a replacement? I have two cars to unload today.”

As Sam turned to leave, he called, “I’ll call you in half an hour, Al,” and headed for his office.

When he walked into the Human Resources office, there were several plant employees huddled around his administrative assistant, Terry. They were complaining that there was an error in their paychecks. After checking their files and calling payroll twice, he found that an automatic pay increase had not been picked up properly. He finally got everyone settled down.

He sat down at his desk, which was opposite Terry and two HR assistants. One of the assistants brought him a big pile of mail. He asked her to get him some office supplies and started to open the mail. The phone rang, it was the plant manager, asking him about finding a new administrative assistant. As Sam sat listening to all the problems the manager had with admins, he thought, “Really?” He started to call a couple of foremen to see if they had someone to help Al in the stockroom when he was interrupted by one of his assistants asking him to check over several termination reports. He was trying to decide whether any of these represented trouble spots when the phone rang again. Glenna Johnson was on the other end. With an obvious edge to her voice, she asked, “I’ve heard rumblings about some

of the grievances we can't seem to solve. What about it?" Sam responded that he hadn't had time, but would get to it. There followed a series of questions. The conversation ended with, "Sam, you really need to get on top of these problems." Sam sighed. Terry was at his desk asking him to approve a couple of rate changes.

Several job applicants came into the office as a result of want ads the company had posted on a local job website over the weekend. There was a buzz as the applications and interviews progressed. Sam started to help out, and was talking with one applicant when Cecil Hardy came in. Cecil was the plant engineer, who liked to stop by to chat and have a cup of coffee. He was approaching retirement and today wanted to talk about the company's pension benefits. He also described in detail a round of golf he had played Sunday afternoon. Sam had played golf when he was in school and enjoyed an occasional game with Cecil.

It was suddenly 10:45 and time to go to a staff meeting to discuss quality control. Sam wasn't awfully interested, but the plant manager wanted all the department heads at staff meetings. "They always drag on so long, and we get off on things that don't seem real important to all of us," Sam reflected as he headed toward the conference room.

Sam went to lunch with a friend who owned a plastics fabrication business. He called an hour ahead to say he wanted to discuss a major medical package that had been proposed by an insurance company. They drove across town to a new restaurant.

When Sam returned at about 2 P.M., the office was busy again with job applicants. He suddenly remembered the replacement stock person. "Too late now," he mused. He sat down and began to assemble the files relating to the grievances. The production superintendent called to discuss his need to hire several production people. He wanted experienced people and wasn't happy with some of the prospects Sam's department had sent him. Sam took a break to get a soft drink from the storage room. He noticed that some of the confidential employee files had been pulled out and not returned. As he straightened them out he thought, "I wonder who did this?"

Sam returned to his desk to find a Boy Scout troop selling advertisements in a program for a rally they were putting on. This was one of the odd tasks Sam had been assigned by the plant manager. As the afternoon wore on, Sam became increasingly irritated at not being able to make much progress with the grievances. "Trouble is," he thought, "I'm not sure what should be done about the Sally Foster and Curt Davis cases."

At 4:45 the personnel manager at the Eastern plant called to ask about some employee matters Sam had handled when he was there. When he finished, it was 5:30 and he was the only one left in the office. Sam was tired. He put on his coat and headed toward the parking lot. He ran into Al Noren, who was also heading for his car. "Thanks for the stock person," Al grumbled as he drove off.

With both eyes on the traffic, Sam reviewed the day he had just completed. "Busy?" he asked himself. "Too much so—but did I accomplish anything?" His mind raced over the day's activities. *Yes* and *no* seemed to be the answer. "There was the usual routine, the same as any other day. The human resource function kept going, and we must have hired several new people. Any creative or special project work done?" Sam grimaced as he reluctantly answered, "No."

With a feeling of guilt, he probed further. "Am I a manager? I'm paid like one, I'm respected like one, and I have a responsible assignment with the necessary authority to carry it out. Yet some of the greatest values a company derives from a manager are creative thinking and accomplishments. You need some time for thinking. Today was like most other days; I did little, if any, creative work. The projects that I so enthusiastically planned to work on this morning are exactly as they were last week. What's more, I have no guarantee that tomorrow will bring me any closer to their completion. There must be an answer."

Sam continued, “Night work? Yes, occasionally. This is understood. But I’ve been doing too much of this lately. I owe my wife and family some of my time. When you come down to it, they are the people for whom I’m really working. If I am forced to spend much more time away from them, I’m not meeting my own personal objectives. What about church work? Should I eliminate that? I spend a lot of time on it, but I feel I owe my higher power some time, too. Besides, I believe I’m making a worthwhile contribution. But where does recreation and going to the gym fit in?”

Sam groped for the solution. By this time, he had turned off the highway onto the side street leading from his home, the problem still uppermost in his mind. “I guess I really don’t know the answer,” he told himself as he pulled into his driveway. “This morning, everything seemed so simple, but now.” His son ran toward the car, calling out, “Mommy, Daddy’s home.”

Discussion Questions

1. Human resource management consists of numerous activities. What areas were illustrated by Sam’s schedule on this particular day?
2. List the areas of ineffective management and time-robbars that are affecting Sam.
3. Discuss Sam’s career progress. Is he now promotable?

Appendix 1A

Careers in HRM

Most HR managers have college degrees and have taken courses across a number of disciplines. College training includes courses such as HRM, compensation administration, HRM problems, labor law and legislation, and collective bargaining. Those who want to become more specialized can join associations—such as the Academy of Human Resource Development (www.ahrd.org), the American Society for Training and Development (www.astd.org), and the Society for Human Resource Management—attend meetings, read professional journals, or seek accreditation. The ASTD is made up of over 70,000 members from more than 100 countries who are concerned with training and development of human resources, and how learning supports individual and organizational performance. SHRM is the world’s largest HRM association with over 250,000 members in 140 countries. Founded in 1948, SHRM has over 575 chapters within the United States and offices in both China and India.

HR employees generally are paid comparably to other business school graduates at the supervisory and middle-management levels. At top-management levels, they sometimes are paid slightly less than operating vice presidents. Current average salaries of HR specialists and executives are presented in Exhibit 1A–1. The

career ladder opportunities in various HR positions are also shown. For example, an entry-level HRM position would result in an average salary of \$40,000. Working up the career ladder in this area could result in a position as the top organizational development and training manager earning \$105,000.

An HR professional can enter the field through different types of positions. One way is to become an HR manager for a small unit of a large organization. Remember Don Brokop at the beginning and end of this chapter? This is what he would be doing if he accepted the Melody Machine Products plant position.

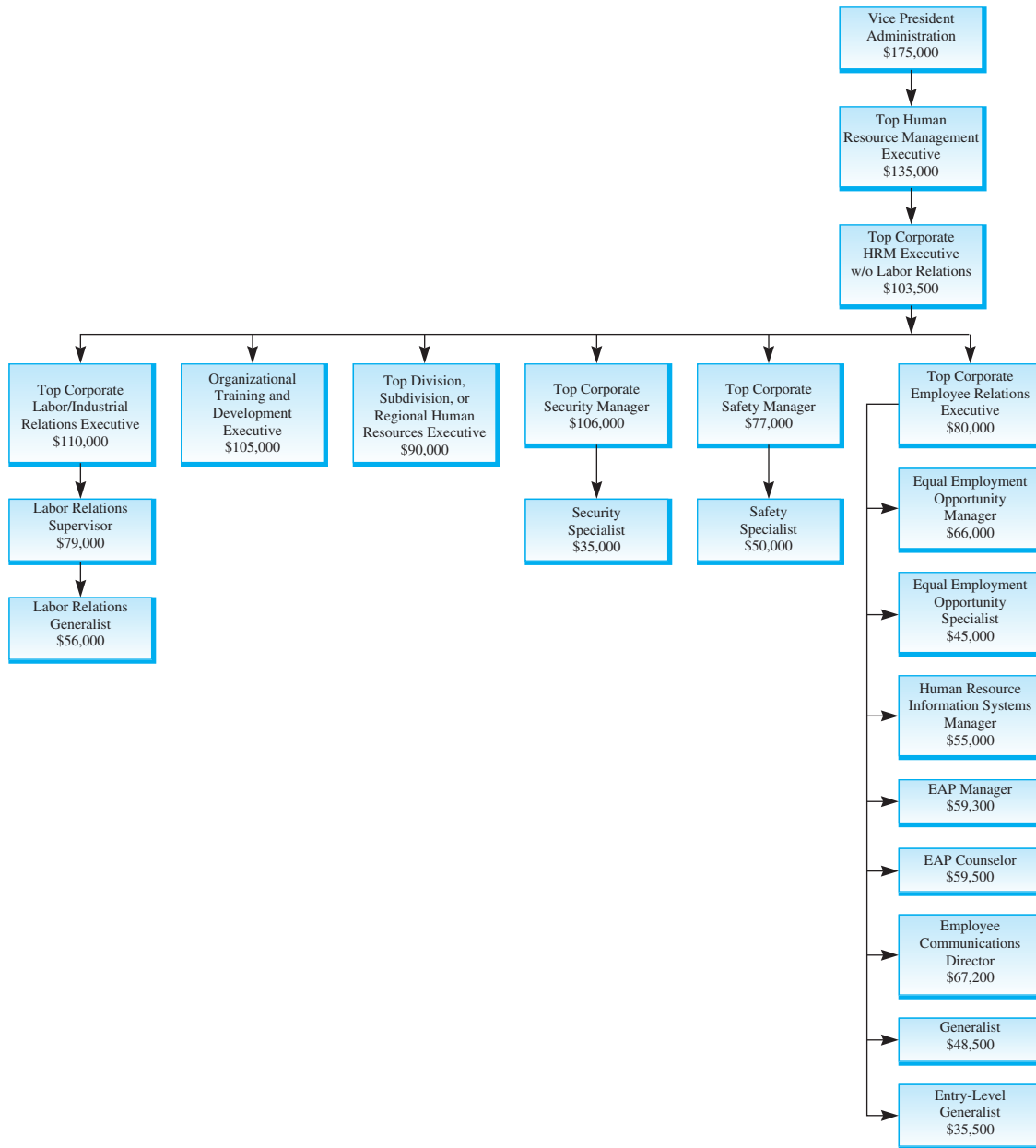
Certification

One move to increase the professionalism of HR executives is the Society of Human Resource Certification Program. SHRM has set up a Certification Institute to offer HR executives and practicing HR managers the opportunity to be certified in any of the following three areas:

- Professional in Human Resources (PHR)
- Senior Professional in Human Resources (SPHR)
- Global Professional in Human Resources (GPHR)

EXHIBIT 1A-1 Sample Salaries in Human Resource Management

Source: Bureau of National Affairs, Inc., Washington, DC, for 1996, 1999, 2001, 2004, and 2007. Inflation adjustment = 3 percent per year.



Certification requires passing a series of examinations developed by the Psychological Corporation of New York. Tests are given by SHRM in these HRM activity areas: management practices, selection and placement, training and development, compensation and benefits, employee and labor relations, and global HR practices, policies, and regulations.⁴⁶

The American Society for Training and Development (www.astd.org) is made up of over 70,000 members who are concerned with the training and development of human resources. The ASTD professional development committee is working to identify the competencies needed to master training and development activities.

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