



# **HUMAN** **RESOURCE** **MANAGEMENT**

**GARY DESSLER**



**16th  
edition**

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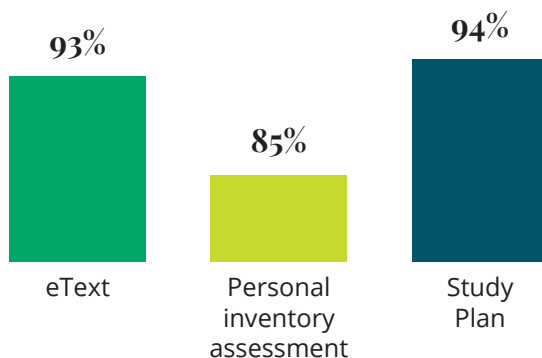
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## **WHERE WE ARE NOW**

The framework above introduces each chapter and makes the following point: That the firm's HR policies and practices should produce the employee skills and behaviors the company needs to achieve its strategic aims.

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# Human Resource Management

Sixteenth Edition

**GARY DESSLER**

Florida International University



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# PREFACE

## NEW TO THIS EDITION

Adopters will find three main changes that are new to this edition:

### Updated Chapters

To ensure a smooth transition for adopters from the 15th to this 16th edition, this edition's 18 chapter table of contents and the outline of all 18 chapters are basically as they were in the 15th edition, so in terms of teaching, the topic flow is about the same as the 15th edition. However, embedded in each chapter's paragraphs are dozens of new topics, practical examples, and research insights, all accompanied by hundreds of new endnotes from 2015–2018.

We've made sure to integrate the new text material into the book's accompanying PowerPoint slides, test banks, and other instructional supplements.

### HR and the Gig Economy Features

It's not easy getting a handle on how many people are working in the gig economy, but the number is huge.<sup>i</sup> By some estimates, over 40% of all workers in America may soon be freelancers, and by another estimate about a third of all workers now do gig work on the side, such as teachers driving for Uber.<sup>ii</sup>

#### ■ HR AND THE GIG ECONOMY: DISCRIMINATION IN THE GIG ECONOMY?

Most companies use recruiters, supervisors, and/or HR professionals to do their hiring, so if an applicant suffers discrimination it's usually pretty clear who did it.<sup>8</sup> But what do you do when you're a gig worker, doing work through a gig economy company like Uber, Task Rabbit, or Fiverr? Here the people doing the "hiring" are usually Task Rabbit, Uber, or Fiverr users, and they're hiring based on reviews compiled from previous users, or from photos in your profile. What stops customers from illegally discriminating?

Unfortunately, the answer may be, "not much." For example, in one study of labor markets like Task Rabbit and Fiverr, black service providers got more negative reviews than did white ones. Because the rating algorithms are then based partly on prior customers' reviews, the black service providers were usually less likely to get new gigs. It's therefore a problem that gig companies (and customers) need to address.

Whatever the exact number, the growth of the so-called gig economy has big implications for those who have to manage gig workers. New **HR and the Gig Economy** features show how companies manage gig workers' HR needs, for example how to recruit, screen, train, appraise, and manage the safety of gig workers.

### New Cases

#### Application Case

##### Techtonic Group

Written and copyrighted by Gary Dessler, PhD.

It's been estimated that there are more than 600,000 unfilled technical jobs (systems engineers, programmers, and so on) in the United

States.<sup>182</sup> Therefore, IT companies like Techtonic Group are continually battling for good applicants.

For many years, Techtonic outsourced app software development to Armenia; CEO Heather Terenzio flew twice a year to work with the people there. However, programmers' salaries in Eastern Europe were

Seven new end-of-chapter cases (for Chapters 2, 3, 5, 10, 12, 15, and 16) on Starbucks, Tesla, Techtonic, Uber, HubSpot, Vice Media, and a meatpacking firm have been added to the text. They replace older cases in these chapters. All other application cases have also been updated, as necessary, and I wrote a new Experiential Exercise ("Pearson Urgent Care") for chapter 12.

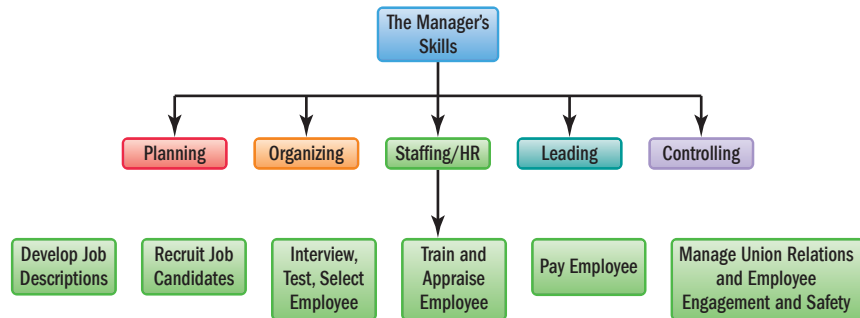
## SOLVING TEACHING AND LEARNING CHALLENGES

*Human Resource Management*, 16th edition, provides students in human resource management courses and practicing managers with a complete and practical introduction to modern human resource management concepts and techniques in a highly readable form. This book has always emphasized giving all managers the

<sup>i</sup> <https://www.bls.gov/careeroutlook/2016/article/what-is-the-gig-economy.htm>, accessed June 29, 2018.

<sup>ii</sup> <https://www.forbes.com/sites/karstenstrauss/2017/02/21/what-is-driving-the-gig-economy/#11e46e81653c>; [www.shrm.org/certification/pages/default.aspx#sthash.JRZQeAWR.dpuf](http://www.shrm.org/certification/pages/default.aspx#sthash.JRZQeAWR.dpuf), both accessed June 29, 2018.

skills they need to do their jobs. And today, with employers transferring more HR tasks to line managers, it's more important than ever that all managers—not just HR managers—be skilled in human resource management concepts and techniques. As the following figure sums up, you'll therefore find an emphasis here on the practical material you need to perform your day-to-day management responsibilities, even if you never spend one day as an HR manager.



The following tools especially help address teaching and learning challenges.



For example, tied to the chapter-opening scenarios, the **Strategic Context** features in Chapters 3–18 show how actual managers' HR actions produced the employee behaviors that were required to achieve the company's strategic aims.

## The Strategic HR Features

This book's Strategic HR features give students a bird's-eye view of how all the topics in each chapter fit together, and a tool instructors can use to illustrate these interrelationships.

As more employers transfer HR tasks to line managers, those managers need a "line of sight" that shows them how their HR actions impact the company's goals. This 16th edition therefore continues the book's emphasis on strategic human resource management and on improving performance, productivity, and profitability at work. This 16th edition also provides a comprehensive fully integrated treatment of strategic human resource management.

### IMPROVING PERFORMANCE: THE STRATEGIC CONTEXT

#### Wegmans Food Markets

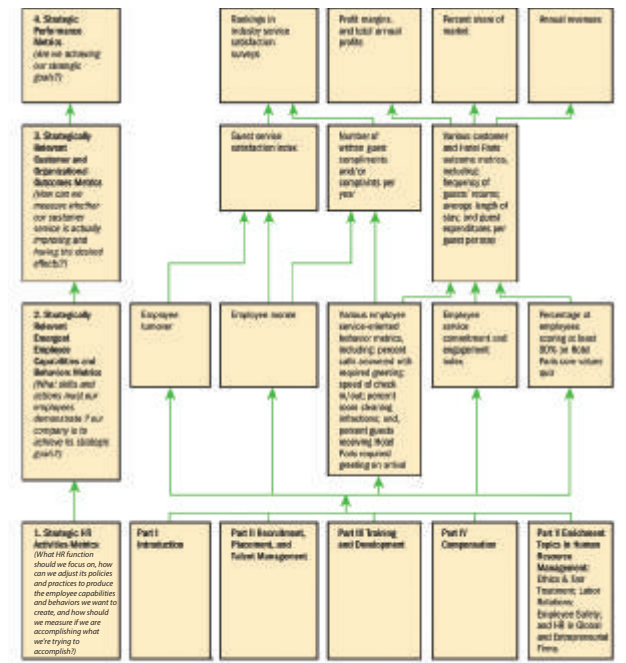
*Strategic compensation management* means formulating a total rewards package that produces the employee skills and behaviors that the company needs to achieve its strategic goals.

Wegmans exemplifies this. It competes in the retail food sector, where profit margins are thin and where online competitors and giants like Walmart drive costs and prices down. The usual competitor's reaction is to cut employee benefits and costs.<sup>55</sup> Wegmans takes a different approach. Number 2 on Fortune's 100 Best Companies to Work For,<sup>56</sup> Wegmans views its workforce as an integral part of achieving Wegmans's strategic aims of *optimizing service while controlling costs by improving systems and productivity*. For example, one dairy department employee designed a new way to organize the cooler, thus improving ordering and inventory control.<sup>57</sup> The firm offers above-market pay rates, affordable health insurance, and a full range of employee benefits.<sup>58</sup> Wegmans's pay policies thus aim to produce exactly the sorts of high-productivity employee behaviors the company needs to achieve its strategic aims.

It's likely that its pay policies are one reason for Wegmans's exceptional profitability. For example, its employee turnover (about 6% for full-timers) is well below the industry's overall average of about 47%.<sup>59</sup> Its stores (which at about 120,000 square feet are much larger than competitors') average about \$950,000 a week in sales (compared to a national average of \$361,564), or about \$49 million in sales annually, compared with a typical Walmart store's grocery sales of \$23.5 million in sales.<sup>60</sup> As Wegmans's human resource head has said, good employees assure higher productivity, and that translates into better bottom-line results.<sup>61</sup>

#### MyLab Management Talk About It 2

If your professor has assigned this, go to the Assignments section of [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) to complete this discussion question. If Wegmans does so well with a high-pay policy, why don't more employers do this as well?



**HR Scorecard for Hotel Paris International**  
 Note: An abbreviated example showing selected HR practices and outcomes aimed at implementing the corporate strategy. To use interior guest services to differentiate the Hotel Paris properties one thus increase the length of stay and the return rate of guests, and thus boost revenues and profitability and help the firm expand geographically. The details of various items for each chapter's Hotel Paris case is in the chapter's accompanying MyLab Management.

In addition, a **Fully Integrated Strategy Case and Strategy Maps** help to provide the most comprehensive treatment of strategic human resource management in a HR survey text:

- Chapter 1 introduces and Chapter 3 presents the concepts and techniques of human resource strategy.
- Chapter 3 onward, every chapter contains a **continuing “Hotel Paris” case** (identified by an “Eiffel Tower” icon), written to help make strategic human resource management come alive for readers. The continuing case shows how this hotel’s HR director uses that chapter’s human resource management concepts and techniques to create HR policies and practices that produce the employee skills and behaviors the Hotel Paris needs to improve its service and thereby achieve its strategic goals.
- An overall **strategy map** for the Hotel Paris on the book’s inside back cover, and chapter-specific Hotel Paris strategy maps in the accompanying MyLab Management, help readers understand and follow the strategic implications of the hotel’s HR decisions.

## Building Employee Engagement

Each chapter’s Building Employee Engagement features help to further integrate the chapter’s topics and to make the book a more coherent whole. *Employee engagement* refers to being psychologically involved in, connected to, and committed to getting one’s jobs done. You’ll find practical examples and advice on how managers build engaged employee work teams and companies. *Employee Engagement Guide for Managers* sections in Chapters 1–14 show how managers use human resource activities to improve employee engagement.

To improve student results, we recommend pairing the text content with **MyLab Management**, which is the teaching and learning platform that empowers you to reach every student. By combining trusted author content with digital tools and a flexible learning platform, MyLab personalizes the learning experience to help your students learn and retain key course concepts while developing skills that future employers are seeking in potential employees. From **Mini Sims** to **Personal Inventory Assessments**, **MyLab Management** helps you teach your course your way. Learn more at [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management).

The **Chapter Warm-up** assessment helps you hold your students accountable for **READING** and demonstrating their knowledge on key concepts in each chapter before coming to class.

**HOW TO EXECUTE AN EMPLOYEE ENGAGEMENT STRATEGY** Actually executing Kia UK’s employee engagement HR strategy involved six steps (and these provide a roadmap for any such endeavor). First, Kia UK set *measurable objectives* for the program. These objectives included improving by at least 10% survey feedback scores for line managers’ behaviors in terms of communication, the quality of appraisal feedback they gave their direct reports, the recognition of work done, and the respect between manager and employee.<sup>79</sup> Other objectives included reducing employee turnover employment costs (e.g., recruitment costs) by at least 10% per year.

Second, Kia UK held an extensive *leadership development* program. For example, it sent all managers for training to improve their management skills. Kia then tested the new skills with “360-degree” assessment tools (having managers’ bosses, peers, and subordinates rate the managers’ new leadership skills).

Third, Kia UK instituted new *employee recognition programs*. These included, for instance, giving “Outstanding Awards” to selected employees quarterly, and “Kia thank you” cards for jobs well done.<sup>80</sup>







Multiple opportunities to apply course concepts are found throughout the text and in **MyLab Management**. Each chapter references MyLab Management exercises such as branching, scenario-based **Try It Mini Sims**, and **Apply It Videos** about real companies.

**Mini Sims** put students in professional roles and give them the opportunity to apply course concepts and develop decision-making skills through real-world business challenges.

These **branching Mini Sims** strengthen a student's ability to think critically, help students understand the impact of their decisions, engage students in active learning, and provide students with immediate feedback on their decisions.

**Engaging Videos** explore a variety of business topics related to the theory students are learning in class. **Exercise Quizzes** assess students' comprehension of the concepts in each video.



The author has recommended a **Personal Inventory Assessment** for most chapters, which is assignable in MyLab Management. These assessments help develop professionalism and awareness of oneself and others, skills necessary for future career success.

**Personal Inventory Assessments** is a collection of online exercises designed to promote self-reflection and engagement in students. It enhances their ability to connect with concepts taught in principles of management, organizational behavior, and human resource management classes.

## DEVELOPING EMPLOYABILITY SKILLS

As noted earlier, every edition of this book has had the same aim: to provide all managers—not just HR managers—with the practical skills and knowledge they need to perform their day-to-day management responsibilities. A few examples of such skills you’ll find here include:

### Chapter 2: How to deal with a charge of discrimination

*... You turn down a member of a protected group for a job. This person believes he or she was discriminated against due to being in a protected class, and decides to sue ... What should you do?*

### Chapter 4: How to write a job description

*... A job description is a written statement of what the worker actually does, how he or she does it, and what the job’s working conditions are. This information is in turn ...*

### Chapter 7: How to interview job candidates

*... First make sure you understand the job and its human requirements. Then compose questions based on actual job duties from the job description ... Examples include (1) situational questions like “Suppose you were giving a sales presentation and a difficult technical question arose ...*

### Chapter 14: How to discipline an employee

*... Make sure the evidence supports the charge of employee wrongdoing. (Arbitrators often cite “the employer’s evidence did not support the charge.”) ... Make sure to protect the employees’ due process rights ...*



**Know Your Employment Law** sections within each chapter discuss the practical implications of the employment laws that apply to that chapter’s topics, such as the laws relating to recruitment (Chapter 5), selection (Chapter 6), training (Chapter 8), and safety (Chapter 16) that all managers should know.



**Diversity Counts** features provide practical insights for managing a diverse workforce, for instance, regarding gender bias in selection decisions, bias in performance appraisal, and “hidden” gender bias in some bonus plans (Chapter 12).

**Various Improving Performance** features demonstrate real-world human resource management tools and practices that managers can use to improve performance. The discussion questions within each of these features are also in the accompanying MyLab Management. The *performance* features include:




#### IMPROVING PERFORMANCE: HR AS A PROFIT CENTER

Diversity can actually drive higher profits. In one study, researchers examined the diversity climate in 654 stores of a large U.S. retail chain. They defined *diversity climate* as the extent to which employees in the stores said the firm promotes equal opportunity and inclusion. They found the highest sales growth in stores with the highest pro-diversity climate, and the lowest in stores where subordinates and managers reported less hospitable diversity climates.<sup>153</sup> Another study found racial discrimination to be related negatively to employee commitment, while organizational efforts to support diversity reduced such negative effects.<sup>154</sup> When Merck needed halal certification for one of its medicines, it turned to its Muslim employees. They helped Merck bring the product to market faster and helped ensure its acceptance among Muslims.<sup>155</sup>

More than 50 of the largest U.S. companies, including GE, Microsoft, and Walmart, filed briefs with the U.S. Supreme Court arguing that affirmative action produces increased sales and profits. ■

**Improving Performance: HR as a Profit Center** contains actual examples of how human resource management practices add value by reducing costs or boosting revenues.



**IMPROVING PERFORMANCE: HR TOOLS FOR LINE MANAGERS AND SMALL BUSINESSES**


Chances are the EEOC won't file a suit, but getting a notice saying it's investigating is still scary. Whether you are managing one team or your own small business, every manager should know in advance what the EEOC will be looking for and what to do. A checklist follows.<sup>141</sup>

**During the EEOC Investigation:**

- ✓ Conduct your own investigation to get the facts.
- ✓ Ensure that there is information in the EEOC's file demonstrating lack of merit of the charge.

**Improving Performance: HR Tools for Line Managers and Small Businesses** explains that many line managers and entrepreneurs are “on their own” when it comes to human resource management, and describes straightforward HR tools such as work sampling tests that line managers and entrepreneurs can create and safely use to improve performance.

**Improving Performance: HR Practices Around the Globe** shows how actual companies around the globe use HR practices to improve their teams’ and companies’ performance, while illustrating the challenges managers face in managing internationally.




**IMPROVING PERFORMANCE: HR PRACTICES AROUND THE GLOBE**

**Career Development at Medtronic<sup>29</sup>**

Medtronic is a global medical technology company with more than 85,000 employees around the world. The company offers a wide range of career planning and development support tools aimed at helping employees understand their occupational strengths and weaknesses and reach their potential. These tools include customized development plans, self-assessment and feedback tools, mentoring programs, comprehensive on-site classes covering business, engineering, and science topics, tuition reimbursement scholarships, and online job listings so the employee can seek out new career opportunities within the company.

Trends Shaping HR Features


Just about every chapter again has one or more **Trends Shaping HR** features, each focusing on topics like Digital and Social Media, and other trends that affect HR practices.



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


**Sitedocs Digital Workplace Safety**

Safety compliance usually has been managed centrally, by human resource managers or by a specialized safety unit. However, new digital mobile device-based safety systems now give managers and even employees more influence over safety. For example, the SiteDocs digital safety management system lets the employer digitize, move, store, work with, and access safety documents via mobile devices (iPad) and the Web.<sup>33</sup> Employees can login via the mobile device and view and complete their safety documentation (such as OSHA reports). These become available immediately to management. This enables management to monitor in real time whether employees are completing their documentation and to identify almost at once workplace hazards and incidents. ■



**TRENDS SHAPING HR: ROBOTS**

With more employees working alongside robots, safety standards are evolving. For example, industrial robots have speed and separation monitoring and safety stops so humans can “hand” them parts without the robot arm hitting them.<sup>75</sup> Many of the new so-called cobots have digital screen faces with human characteristics. For example, one cobot “glances” in the direction when it’s about to pick something up, to forewarn its human “colleagues.”<sup>76</sup> ■



**TRENDS SHAPING HR: LOCATION BEACONS**

Beacons—tiny devices that continuously transmit radio signals identifying themselves—are becoming valuable occupational safety tools. Employers use beacons to keep track of employees, particularly if they’re in distress. Others use them to warn employees, such as when they’re too close to a danger zone.<sup>89</sup> ■

## INSTRUCTOR TEACHING RESOURCES

This program comes with the following teaching resources.

Supplements available to instructors at <a href="http://www.pearsonhighered.com">www.pearsonhighered.com</a>	Features of the Supplement
<b>Instructor's Manual</b> authored by Susan Leshnower from Midland College	<ul style="list-style-type: none"> <li>• Lecture Outlines</li> <li>• Chapter-by-chapter summaries—Where are we now</li> <li>• Examples and activities not in the main book</li> <li>• Annotated Outline</li> <li>• Teaching tips</li> <li>• Solutions to all questions, problems, and case problems in the book</li> <li>• Case Notes</li> <li>• Key Terms</li> </ul>
<b>Test Bank</b> authored by Carol Heeter from Ivy Tech Community College	2,000 multiple-choice, true/false, short-answer questions with these annotations: <ul style="list-style-type: none"> <li>• Difficulty level (1 for straight recall, 2 for some analysis, 3 for complex analysis)</li> <li>• Type (Multiple-choice, true/false, short-answer, essay)</li> <li>• Topic/Explanation (The term or concept the question supports)</li> <li>• Learning outcome</li> <li>• AACSB learning standard (Written and Oral Communication; Ethical Understanding and Reasoning; Analytical Thinking; Information Technology; Interpersonal Relations and Teamwork; Diverse and Multicultural Work; Reflective Thinking; Application of Knowledge)</li> </ul>
<b>Computerized TestGen</b>	TestGen allows instructors to: <ul style="list-style-type: none"> <li>• Customize, save, and generate classroom tests</li> <li>• Edit, add, or delete questions from the Test Item Files</li> <li>• Analyze test results</li> <li>• Organize a database of tests and student results.</li> </ul>
<b>PowerPoints</b> authored by Patricia Buhler from Goldey-Beacom College	Slides include all the graphs, tables, and equations in the textbook. PowerPoints meet accessibility standards for students with disabilities. Features include, but are not limited to: <ul style="list-style-type: none"> <li>• Keyboard and Screen Reader access</li> <li>• Alternative text for images</li> <li>• High color contrast between background and foreground colors</li> </ul>

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# ACKNOWLEDGMENTS

Everyone involved in creating this book is proud of what we've achieved. *Human Resource Management* is one of the top-selling books in this market, and, as you read this, students and managers around the world are using versions translated into about a dozen languages, including Thai, French, Spanish, Greek, Indonesian, Russian, Chinese, and the Arab World edition.

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Antonio Guillem/Shutterstock

# 1

## 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.

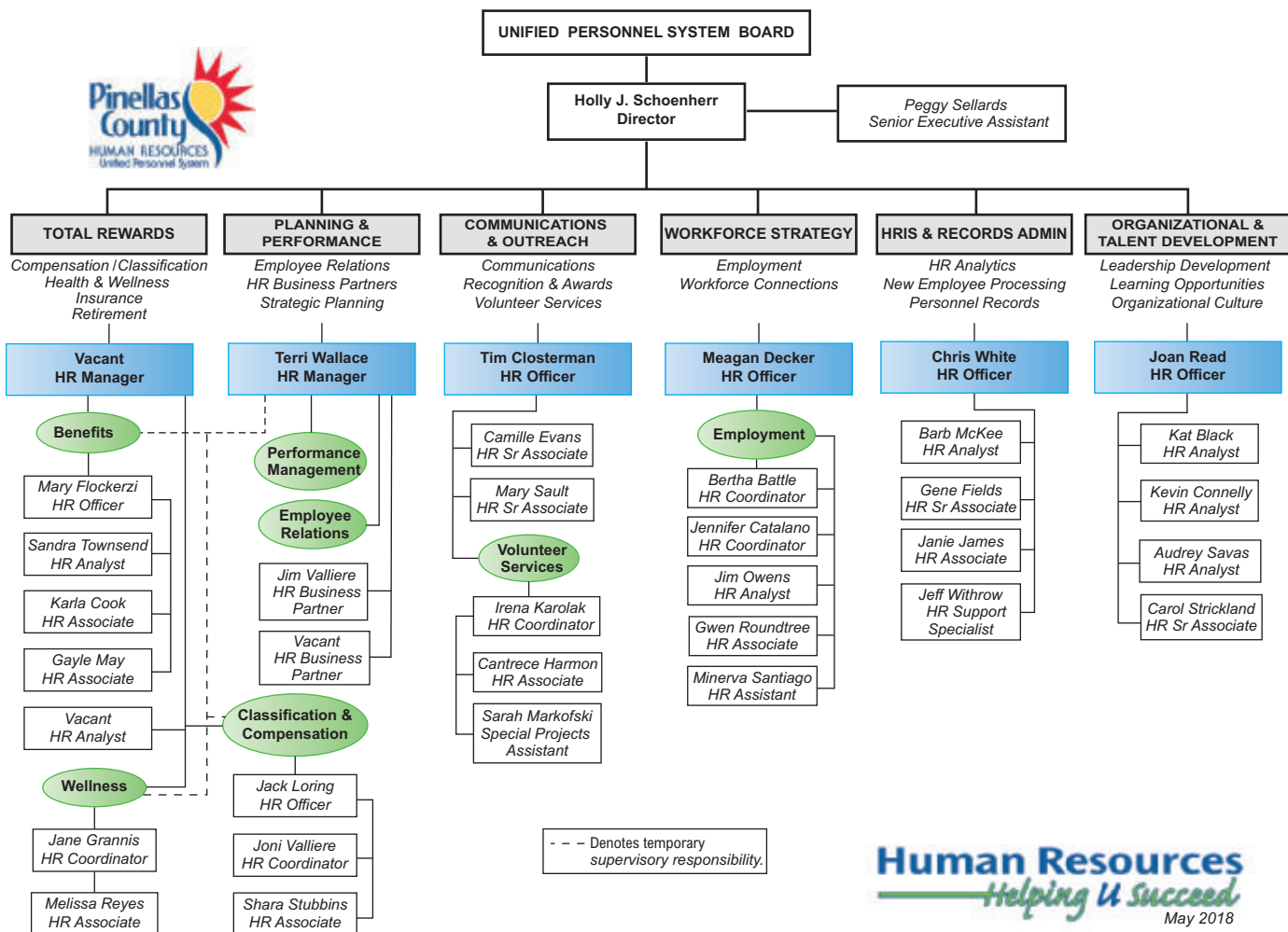
9. Creating and maintaining departmental morale
10. Protecting employees' health and physical conditions

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.

Anyone using Uber already knows about on-demand workers. It is signing up tens of thousands of new independent contractor drivers per week, a rate that is doubling fast.

REB Images/Blend Images/Getty Images



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> ■

### MyLab Management Talk About It 1

If your professor has assigned this, go to the Assignments section of [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) to complete this discussion. Discuss three more specific examples of what you believe this second bank's HR department could have done to improve the reps' performance.

## 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>

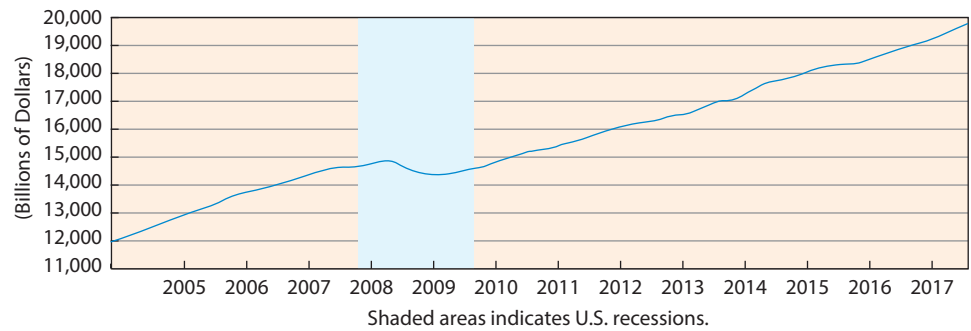
## Economic Trends

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

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

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



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 *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.

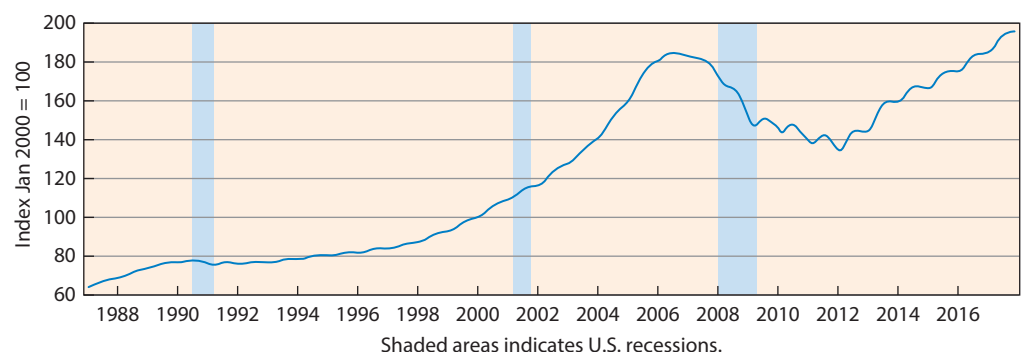
Around 2007, all those years of accumulating debt ran their course. Banks and other financial institutions found themselves owning trillions of dollars of worthless loans. Governments stepped in to try to prevent their collapse. Lending dried up. Many businesses and consumers stopped buying. The economy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

**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.



**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 *gaming* 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 (“automation”); 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. ■

### 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.



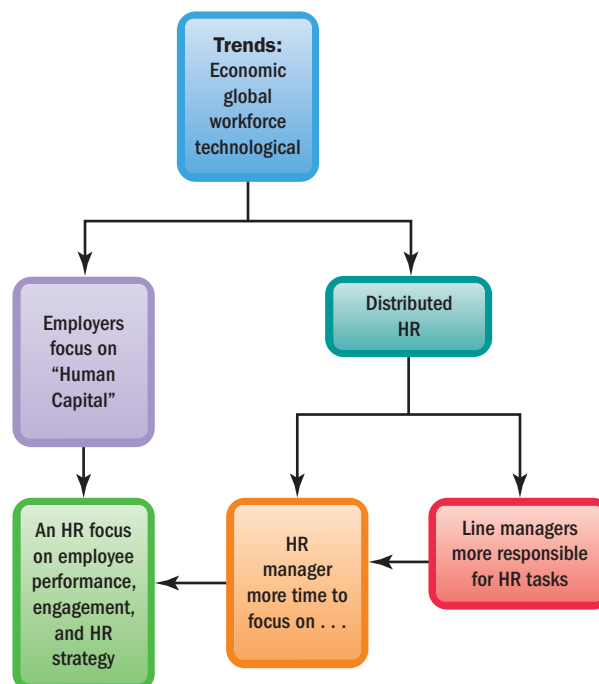
Like many employers, Hilton Worldwide is “distributing HR”—placing more HR activities in the hands of employees.



antoniodiaz/Shutterstock

- 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.

**FIGURE 1-4** What Trends Mean for 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.

## 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 3 (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.

### ■ IMPROVING PERFORMANCE: THE STRATEGIC CONTEXT

#### 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.

#### MyLab Management Talk About It 2

If your professor has assigned this, go to the Assignments section of [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) to complete these discussion questions. What would you say are (1) L.L.Bean's strategic aims, (2) its required employee behaviors and skills to achieve these aims, and (3) HR policies and practices it needs to produce these necessary employee behaviors and skills?

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 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.