

fundamentals of
Human Resource Management

NINTH EDITION

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FUNDAMENTALS OF HUMAN RESOURCE MANAGEMENT, NINTH EDITION

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To my independent yet loving kids, Ray, Tim, and Melissa,
and cats, Lucky, Chester, and Milo

—R.A.N.

To my beloved Plus-ones, Jonathon, Kelsey, Mariano, and
Sabrina

—J.R.H.

To my parents, Robert and Shirley, my wife, Heather, and
my children, Chris and Annie

—B.G.

To my late parents, Patricia and Paul, my wife, Mary, and my
sons, Michael and Matthew

—P.M.W.

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Raymond A. Noe is the Robert and Anne Hoyt Designated Professor of Management at The Ohio State University. Before joining the faculty at Ohio State, he was a professor in the Department of Management at Michigan State University and the Industrial Relations Center of the Carlson School of Management, University of Minnesota. He received his BS in psychology from The Ohio State University and his MA and PhD in psychology from Michigan State University. Professor Noe conducts research and teaches all levels of students—from undergraduates to executives—in human resource management, training and development, performance management, and talent management. He has published articles in the *Academy of Management Annals*, *Academy of Management Journal*, *Academy of Management Review*, *Journal of Applied Psychology*, *Journal of Vocational Behavior*, and *Personnel Psychology*. Professor Noe is currently on the editorial boards of several journals including *Academy of Management Learning & Education*, *Personnel Psychology*, *Journal of Applied Psychology*, *Journal of Management*, and *Human Resources Management Review*. Professor Noe has received awards for his teaching and research excellence, including the Ernest J. McCormick Award for Distinguished Early Career Contribution from the Society for Industrial and Organizational Psychology. He is also a fellow of the Society of Industrial and Organizational Psychology.

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Preface

Managing human resources is a critical component of any company's overall mission to provide value to customers, shareholders, employees, and the community in which it does business. Value includes profits as well as employee growth and satisfaction, creation of new jobs, contributions to community programs, protection of the environment, and innovative use of new technologies.

Our Approach: Engage, Focus, and Apply

Following graduation, most students will find themselves working in businesses or not-for-profit organizations. Regardless of position or career aspirations, their role in directly managing other employees or understanding human resource management (HRM) practices is critical for ensuring both company and personal success. Therefore, *Fundamentals of Human Resource Management*, Ninth Edition, focuses on human resource issues and how HR is a key component of any company's overall corporate strategy. *Fundamentals* is applicable to both HR majors and students from other majors or colleges who are taking an HR course as an elective or a requirement.

Our approach to teaching human resource management involves *engaging* students in learning through the use of real-world examples and best practices; *focusing* them on important HR issues and concepts; and *applying* what they have learned through chapter features and end-of-chapter exercises and cases. Students not only learn about best practices but are actively engaged through the use of cases and decision making. As a result, students will be able to take what they have learned in the course and apply it to solving HRM problems they will encounter on the job.

Each chapter includes several different pedagogical features. "Best Practices" provides examples of companies whose HR activities work well. "HR Oops!" highlights HRM issues that have been handled poorly. "Did You Know?" offers interesting statistics about chapter topics and how they play out in real-world companies. "HRM Social" demonstrates how social media and the Internet can be useful in managing HR activities in any organization. "Thinking Ethically" confronts students with issues that occur in managing human resources. Each feature includes questions to assist students with critical thinking and to spark classroom discussions.

Fundamentals also assists students with learning "How To" perform HR activities, such as applying HR data to solve business problems, devising plans for workplace flexibility, and making incentive pay part of a total-rewards package. These are all work situations students are likely to encounter as part of their professional careers. The end-of-chapter cases focus on corporate sustainability ("Taking Responsibility"), managing the workforce ("Managing Talent"), and HR activities in small organizations ("HR in Small Business").

Organization of the Ninth Edition

Part 1 (Chapters 1–4) discusses the environmental forces that companies face in trying to manage human resources effectively. These forces include economic, technological, and social trends; employment laws; and work design. Employers typically have more control over work design than over trends and equal employment laws, but all of these factors influence how companies attract, retain, and motivate human resources. Chapter 1 discusses why HRM is a critical component to an organization's overall success. The chapter introduces HRM practices and the roles and responsibilities of HR professionals and other managers in managing human resources. Chapter 2 looks at current trends that impact human resources in the workplace, including automation, robots, artificial intelligence, alternative work arrangements, and diversity and inclusion. Chapter 3 provides an overview of the major laws affecting employees and the ways organizations can develop HR practices that comply with the laws. Chapter 4 highlights how jobs and work systems determine the knowledge, skills, and abilities employees need to perform their jobs and influence workers' motivation, satisfaction, and safety at work.

Part 2 (Chapters 5–8) deals with acquiring, training, and developing human resources. Chapter 5 discusses how to develop an HR plan. It emphasizes the strengths and weaknesses of different options for dealing with shortages and excesses of human resources. Chapter 6 emphasizes that employee selection is a process that starts with screening applications and résumés and concludes with a job offer. Chapter 7 covers the features of effective training systems. Chapter 8 demonstrates how assessment, job experiences, formal courses, and mentoring relationships can be used to develop employees for future success.

Part 3 (Chapters 9–11) focuses on assessing and improving performance. Chapter 9 sets the tone for this section by discussing the important role of HRM in creating and maintaining an organization that achieves a high level of performance for employees, managers, customers, shareholders, and the community. Chapter 10 examines the strengths and weaknesses of different performance management systems. Chapter 11 discusses how to maximize employee engagement and productivity and retain valuable employees as well as how to fairly and humanely separate employees when the need arises.

Part 4 (Chapters 12–14) covers rewarding and compensating human resources, including how to design pay structures, recognize good performers, and provide benefits. Chapter 12 discusses how managers weigh the importance and costs of pay to develop a compensation structure and levels of pay for each job given the worth of the jobs, legal requirements, and employee judgments about the fairness of pay levels. Chapter 13 covers the advantages and disadvantages of different types of incentive pay, including merit pay, gainsharing, and stock ownership. Chapter 14 highlights the contents of employee benefits packages, the ways organizations administer benefits, and what companies can do to help employees understand the value of benefits and control benefits costs.

Part 5 (Chapters 15–16) covers other HR topics including collective bargaining and labor relations and managing human resources in a global organization. Chapter 15 explores HR activities as they pertain to employees who belong to unions or who are seeking to join unions. Concluding Part 5, Chapter 16 focuses on HR activities in international settings, including planning, selecting, training, and compensating employees who work overseas. The chapter also explores how cultural differences among countries and workers affect decisions about human resources.

Content Changes in the New Edition

While preparing this new edition, we could not overlook the COVID-19 pandemic and its profound and possibly long-lasting effects on the way the world conducts business. As companies were forced to temporarily (and in some cases permanently) close their doors, and more than 40 million U.S. workers filed for unemployment, professionals across organizations large and small continued to look for ways to keep their employees safe while still conducting business. Throughout the chapters, we have included examples of how companies and HR professionals have implemented strategies to keep operations moving forward during these uncertain times.

In addition, as we finalized the manuscript for this edition, the call for racial equality, social justice, and equal opportunity in the form of massive protests and demonstrations around the country found organizations large and small taking a deeper look into how they can become agents for positive change both in terms of their own workforce and within their communities. We have included two new cases in Chapters 1 and 2 describing how PwC and Adidas have taken steps to address racism and other related issues.

We have also added questions to the *HR Analytics & Decision Making* features to help students use their critical-thinking skills to understand the importance of data analytics. Also, we have included additional *Video Conversations with Chief HR Officers (CHROs)*, created by the Center for Executive Succession at the Darla Moore School of Business, University of South Carolina, to pertinent chapters. These videos are featured in Connect, along with questions related to chapter content. Finally, we have written all-new *HR in Small Business* cases for each chapter.

In addition to new or updated chapter pedagogy and real-world examples, the text contains the following content changes to help students and instructors keep current on important HR trends and topics.

- **Chapter 1** opens with a discussion about how technology continues to change the way work gets done and its impact on HRM. The chapter also includes updated information on the top qualities employers are looking for when recruiting recent graduates (Table 1.2) and new data to reflect current median salaries for various HRM positions (Figure 1.6).
- **Chapter 2** provides recent workforce statistics, as well as a discussion about various age, gender, and ethnic groups within the U.S. labor force. Illustrations have been updated to reflect current labor force data. Other recent trends discussed include the impact of COVID-19 on business operations; the restrictive immigration policies that have caused a shortage of workers to perform critical, low-paying jobs; the increased prevalence of gig workers and other alternative work arrangements; the importance of offering employees opportunities to learn new skills; and the push to address the importance of diversity and inclusion for all in today's workforce.
- **Chapter 3** covers updates and features on the topic of sexual harassment; the effects of neurodiversity in the workforce; and employers' ethical obligations to workers during a pandemic. In addition, illustrations have been updated to reflect current statistics on age discrimination, types of charges filed with the EEOC, and the rates of occupational injuries and illnesses.
- **Chapter 4** includes new discussions on the increasing use of robots and other types of automation to free up workers to perform tasks that require new and higher-level skills; the importance of workplace flexibility and the careful planning this new arrangement requires from HR and other managers; and employers' responsibilities when it comes to ergonomics in workers' remote workspaces.

- **Chapter 5** covers the process of HR planning and addresses how some companies are taking steps to build a bigger talent pool from within the organization by developing skills in existing employees, training workers in hard-to-fill skills, and broadening their search criteria when seeking new employees from outside the organization—especially in a tight labor market. In addition, the discussion on campus recruiting describes how recruiters are scheduling individual sessions with prospective hires via Skype, Face Time, and Zoom due to the COVID-19 pandemic and how an AI start-up has launched a virtual event recruiting system to help companies match candidates with open positions.
- **Chapter 6** discusses how companies are using video games in the selection process, which tests different traits associated with emotional intelligence and risk taking. The chapter also discusses how organizations can measure cultural fit when it comes to the selection process; the pros and cons of using artificial intelligence in the hiring process; and the experience of an Ohio manufacturing company that hires employees who are in need of a second chance when it comes to life and work.
- **Chapter 7** looks at the increasing use of simulations and other tools in the employee training process; how Domino's uses an interactive software program with an animated trainer to assist managers in training new hires; updated statistics on the different instruction methods used in the training process; and how strategies to deepen trainees' involvement in the learning process can pay big dividends.
- **Chapter 8** discusses strategies to make employee development more inclusive for workers of color, persons with disabilities, and LGBTQ employees; how employees can use LinkedIn and its learning portal to help steer their career trajectory; statistics on the dearth of female executives at the top of major organizations; and the importance of a strong succession plan for top management positions.
- **Chapter 9** opens with a feature on how ADP helps its client companies achieve high performance. In addition, the chapter discusses the importance of empathy in the workplace and how it can lead to increased productivity and employee retention, and how U.S. employee engagement rates have hit a record high in recent years. In addition, a new discussion focuses on how employers can enable high performance from employees working remotely—even during a pandemic.
- **Chapter 10** discusses recent trends in managing employees' performance and how such reviews are becoming more frequent and less formal. In addition, the chapter describes how companies are using data analytics to modify their performance management systems with input from employees and why "sugarcoating" employee feedback during reviews won't help workers improve their performance.
- **Chapter 11** open with the story of insurance giant Aflac's approach to establishing and maintaining strong relationships with its workers. In addition, the ethics of laying off employees via videoconferencing are discussed. The end-of-chapter Taking Responsibility case on manufacturing Lysol during COVID-19 underscores the importance of corporate values and workers' untiring commitment to help in this time of need.
- **Chapter 12** provides updated pay data for women, men, and minorities and describes strategies companies are using to close the earnings gap. In addition, recent research suggests that many workers have begun to negotiate pay levels with their employers, possibly due to the stronger economy and lower national unemployment rate (prior to the pandemic). The end-of-chapter Managing Talent case focuses on how the TSA is working to improve its pay structure in an effort to retain employees.

- **Chapter 13** focuses on recognizing employee contributions with pay, including new examples of how businesses are changing their approach to employee bonuses in an effort to retain and motivate their workforce. In addition, recent research points out that a majority of companies use variable pay as part of their total compensation to employees, as annual merit raises continue to be stagnant. The ethics of paying hazard pay are discussed in light of the impact of COVID-19 on front-line workers such as grocery employees, medical professionals, and police officers.
- **Chapter 14** updates information on employee benefits, Social Security, and taxes paid by both employers and employees.
- **Chapter 15** provides information on current trends and statistics in union membership. In addition, the chapter points out how unions are working together with companies to reduce benefit costs.
- **Chapter 16** includes a new discussion about companies being “born global” and the addition of material on the sixth dimension of Hofstede’s cultural dimensions, indulgence/restraint. New material has also been added to update the discussion on Brexit and the UK’s new points-based immigration plan that will reduce the free movement of workers from other European countries to the UK, which could have a negative impact on certain business sectors.

The author team believes that the focused, engaging, and applied approach of *Fundamentals* distinguishes it from other books that have similar coverage of HR topics. The new Ninth Edition has timely coverage of important HR issues, is easy to read, has many features that grab the students’ attention, and gets students actively involved in learning.

We would like to thank those of you who have adopted previous editions of *Fundamentals*, and we hope that you will continue to use upcoming editions. For those of you considering *Fundamentals* for adoption, we believe that our approach makes *Fundamentals* your text of choice for human resource management.

Acknowledgments

The Ninth Edition of *Fundamentals of Human Resource Management* would not have been possible without the staff of McGraw-Hill Education. Mike Ablassmeier deserves kudos for ensuring that we continue to improve the book based on the ideas of both adopters and students. John Weimeister, our former editor, helped us develop the vision for the book and gave us the resources we needed to develop a top-of-the-line HRM teaching package. We would also like to thank Cate Rzasa who worked diligently to make sure that the book was interesting, practical, and readable and remained true to the findings of human resource management research. We also thank Kelly Pekelder and Mary Powers for their efforts on behalf of this new edition.

We would like to extend our sincere appreciation to all of the reviewers whose thoughtful input helped make this text one of the market’s leading textbooks.

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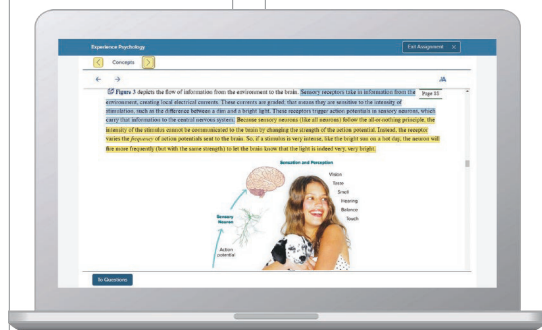
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The Human Resource Environment

CHAPTER 1

Managing Human Resources

CHAPTER 2

Trends in Human Resource Management

CHAPTER 3

Providing Equal Employment Opportunity and a Safe Workplace

CHAPTER 4

Analyzing Work and Designing Jobs



PART ONE

1

Managing Human Resources

Introduction

According to David Windley, the CEO of IQTalent Partners, this is an excellent time to be working in human resource management. Internet-based technology is changing the way work gets done, automating many tasks once carried out by humans. As Windley sees it, this will result in organizations needing people for their creativity and good judgment, not their ability to carry out routine, repetitive tasks. When machines are doing routine work, what differentiates companies will be having the best—the most creative, the most insightful—people and setting up an environment in which they can and will contribute. Doing this requires professionals with high ethical standards and strong skills in applying data to complex situations.

For those who specialize in HR, these changes put them in the key role of providing talent, keeping talent, and bringing out the best in talent. Windley sees this because his own career was in human resources. At the age of 27, he took his first job heading an HR department, at a company called Mediagenic (now Activision). He later held executive roles at Intuit, Microsoft, Yahoo, and others. Windley says one of his greatest challenges was implementing a cultural shift in a company—taking managers who had viewed their individual units as separate kingdoms and persuading them to unite in a common purpose.

Windley, who holds bachelor's and master's degrees in business, says he chose human resource management as a career because the “people side of business” was what interested him the most. At an early age, he could see that doing a good job at acquiring and managing people would have more impact on a business's success than working on just about any other kind of business resource. Now that he runs his own company, he is delivering HR expertise to clients by helping them find talent. Windley remains active in the field, serving as chair of the board for the Society for Human Resource Management.¹



As technology changes the way work gets done, human resource management has become an important partner in developing and implementing corporate strategies.
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What Do I Need to Know?

After reading this chapter, you should be able to:

- LO 1-1** Define human resource management, and explain how HRM contributes to an organization's performance.
- LO 1-2** Identify the responsibilities of human resource departments.
- LO 1-3** Summarize the types of competencies needed for human resource management.
- LO 1-4** Explain the role of supervisors in human resource management.
- LO 1-5** Discuss ethical issues in human resource management.
- LO 1-6** Describe typical careers in human resource management.

As business leaders like David Windley know from experience, a company's success requires skillful **human resource management (HRM)**, the policies, practices, and systems that influence employees' behavior, attitudes, and performance. Many companies refer to HRM as involving "people practices." Figure 1.1 emphasizes that there are several important HRM practices that should support the organization's business strategy: analyzing work and designing jobs, determining how many employees with specific knowledge and skills are needed (human resource planning), attracting potential employees (recruiting), choosing employees (selection), teaching employees how to perform their jobs and preparing them for the future (training and development), evaluating their performance (performance management), rewarding employees (compensation), and creating a positive work environment (employee relations). An organization performs best when all of these practices are managed well. At businesses and other organizations with effective HRM, employees and customers tend to be more satisfied, and the companies tend to be more innovative, have greater productivity, and develop a more favorable reputation in the community.²

In this chapter, we introduce the scope of human resource management. We begin by discussing why human resource management is an essential element of an organization's success. We then turn to the elements of managing human resources: the roles and skills needed for effective human resource management. Next, the chapter describes how all managers, not just human resource professionals, participate in the activities related to human resource management. The following section of the chapter addresses some of the ethical issues that arise with regard to human resource management. We then provide an overview of careers in human resource management. The chapter concludes by highlighting the HRM practices covered in the remainder of this book.

Human Resource Management (HRM)

The policies, practices, and systems that influence employees' behavior, attitudes, and performance.

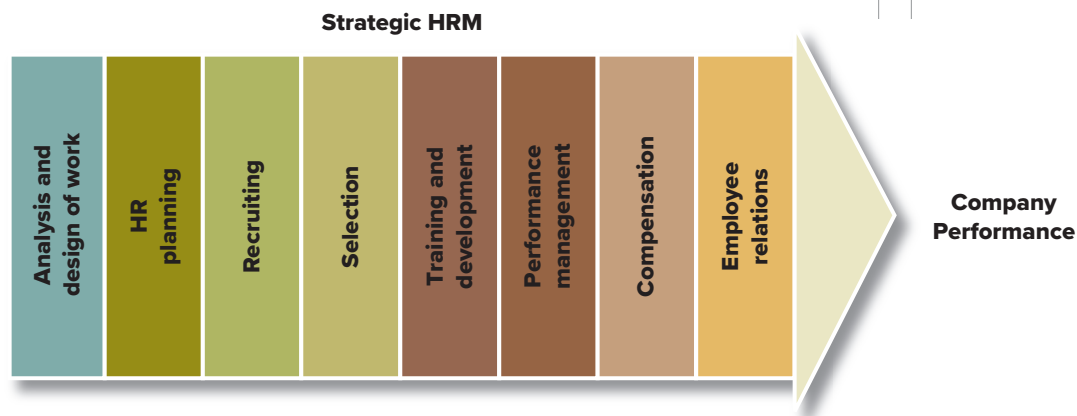
Human Resources and Company Performance

Managers and economists traditionally have seen human resource management as a necessary expense, rather than as a source of value to their organizations. Economic value is usually associated with *capital*—cash, equipment, technology, and facilities. However, research has demonstrated that HRM practices can be valuable.³ Decisions such as whom to hire, what to pay, what training to offer, and how to evaluate employee performance directly affect employees' motivation and ability to provide goods and services that customers value. Companies that attempt to increase their competitiveness by investing in new technology

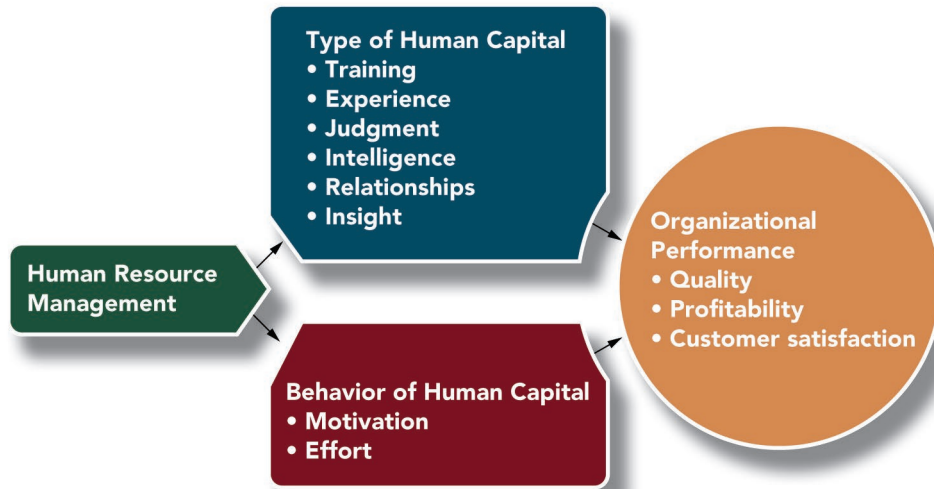
LO 1-1 Define human resource management, and explain how HRM contributes to an organization's performance.

FIGURE 1.1

Human Resource Management Practices



4 PART 1 The Human Resource Environment

FIGURE 1.2**Impact of Human Resource Management****Human Capital**

An organization's employees, described in terms of their training, experience, judgment, intelligence, relationships, and insight.

and promoting quality throughout the organization also invest in state-of-the-art staffing, training, and compensation practices.⁴

The concept of “human resource management” implies that employees are *resources* of the employer. As a type of resource, **human capital** means the organization's employees, described in terms of their training, experience, judgment, intelligence, relationships, and insight—employee characteristics that add economic value to the organization. In other words, whether it manufactures automobiles or forecasts the weather, for an organization to succeed at what it does, it needs employees with certain qualities, such as particular kinds of training and experience. Employees in today's organizations are not interchangeable, easily replaced parts of a system but a source of the company's success or failure. By influencing *who* works for the organization and *how* those people work, human resource management therefore contributes to basic measures of an organization's performance, such as quality, profitability, and customer satisfaction. Figure 1.2 shows this relationship.

In the United States, low-price retailers are notorious for the ways they keep labor costs down. They pay low wages, limit employees to part-time status (providing few or no employee benefits), and alter schedules at the last minute in order to minimize staffing when store traffic is light. But as the demand for workers has risen over the past few years, these companies tend to lose employees—often their best performers—to competitors. Some

retailers are trying to up their game by becoming more desirable employers. For example, in March 2020, discount retailer Dollar General announced it would distribute \$35 million in bonuses to all store, distribution center, and private freight fleet employees who worked for the company during a six-week period that coincided with the peak of the COVID-19 pandemic in some states.⁵

Human resource management is critical to the success of organizations because human capital has certain qualities that make it valuable. In terms of business strategy, an organization can succeed if it has a *sustainable competitive advantage* (is better than competitors at something and can hold that advantage over a sustained period of time). Therefore, we can conclude that organizations need the kind of resources that will give them such an advantage. Human resources have these necessary qualities:



At Google, the company's focus is on making employees feel valued, trained, and well compensated. In turn, there is a low turnover rate and a high degree of satisfaction.

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HR Oops!

Business Execs Doubt HR's Message on Employee Experience

A recent survey of executives by the Mercer consulting firm found that the top priority for HR managers was “employee experience”—employees’ perceptions of how well their work life matches their expectations. This experience begins when the new employee arrives at work for the first time and learns about procedures, colleagues, company values, and how people are treated. It includes the work load and the process of enrolling in and receiving pay and benefits. Feedback from managers, opportunities for training, and the general health and safety of the workplace are other components of the employee experience. However, these factors may shift in relevance depending on other concerns. For example, during the COVID-19 pandemic, personal health became a top priority, whereas before that, in a competitive job market, employees were more tuned in to other factors, such as meaningful work.

HR professionals have seen that employees perform better and are likelier to stay with the organization if

they have positive employee experiences. However, business leaders—the managers responsible for product lines, production, and so on—seem to doubt that the employee experience is significant. Barely one-fourth of them believe there is a return on investment from improving the employee experience. The difference in perceptions implies that HR professionals have a long way to go in making a case for why their work matters.

To step up their game, HR professionals should consider how to make the business case for employee experience. They might start by improving experiences that have a measurable payoff, such as making it easier for employees to manage their benefits such as retirement savings and health insurance. An easy-to-use self-service system fits with this strategy, so employees don’t tie up HR staff to resolve questions and problems. With a change such as this, HR departments can set measurable goals, gather data, and demonstrate results. Similarly, for improvements in training programs or performance

feedback, the organization can gather data on business performance before and after the programs are launched. Business managers get interested when HR programs deliver results they can see.

Questions

1. What kinds of experiences in your current or recent job (or a job you would like to have) are positive? Consider, for example, company policies, procedures you must follow, relationships with your supervisor and others, nature of the work, and the pay you earn.
2. Why is it important to be able to measure the impact of an HR initiative?

Sources: Mercer, *Win with Empathy: Global Talent Trends 2020*, <https://www.mercer.com>, accessed April 7, 2020; Chris Voce, “Why Employee Experience Matters Now More than Ever,” *Employee Benefit News*, March 25, 2020, <https://www.benefitnews.com>; Mary Ann Sardone and Lauren Mason, “Building a Better Employee Experience,” September 20, 2019, <https://www.mercer.com>.

- Human resources are *valuable*. High-quality employees provide a needed service as they perform many critical functions.
- Human resources are *rare* in the sense that a person with high levels of the needed skills and knowledge is not common. An organization may spend months looking for a talented and experienced manager or technician.
- Human resources *cannot be imitated*. To imitate human resources at a high-performing competitor, you would have to figure out which employees are providing the advantage and how. Then you would have to recruit people who can do precisely the same thing and set up the systems that enable those people to imitate your competitor.
- Human resources have *no good substitutes*. When people are well trained and highly motivated, they learn, develop their abilities, and care about customers. It is difficult to imagine another resource that can match committed and talented employees.

These qualities imply that human resources have enormous potential. An organization realizes this potential through the ways it practices human resource management. Conversely, a missed opportunity to provide HR expertise is a missed opportunity to realize the potential of human resources (see “HR Oops!”).

6 PART 1 The Human Resource Environment

Effective management of human resources can form the foundation of a *high-performance work system*—an organization in which technology, organizational structure, people, and processes work together seamlessly to give an organization an advantage in the competitive environment. As technology changes the ways organizations manufacture, transport, communicate, and keep track of information, human resource management must ensure that the organization has the right kinds of people to meet the new challenges. High-performance work systems also have been essential in making organizations strong enough to weather the storm of the recent recession and remain profitable as the economy slowly begins to expand again. Maintaining a high-performance work system may include development of training programs, recruitment of people with new skill sets, and establishment of rewards for such behaviors as teamwork, flexibility, and learning. In Chapter 2, we will see some of the changes that human resource managers are planning for, and Chapter 9 examines high-performance work systems in greater detail.

LO 1-2 Identify the responsibilities of human resource departments.

Responsibilities of Human Resource Departments

In all but the smallest organizations, a human resource department is responsible for the functions of human resource management. On average, an organization has almost one-and-a-half full-time HR staff persons for every hundred employees on the payroll.⁶ One way to define the responsibilities of HR departments is to think of HR as a business within the company with three product lines:⁷

1. *Administrative services and transactions*—Handling administrative tasks (for example, hiring employees and answering questions about benefits) efficiently and with a commitment to quality. This requires expertise in the particular tasks.
2. *Business partner services*—Developing effective HR systems that help the organization meet its goals for attracting, keeping, and developing people with the skills it needs. For the systems to be effective, HR people must understand the business so they can understand what the business needs.
3. *Strategic partner*—Contributing to the company's strategy through an understanding of its existing and needed human resources and ways HR practices can give the company a competitive advantage. For strategic ideas to be effective, HR people must understand the business, its industry, and its competitors.

Another way to think of HR responsibilities is in terms of specific activities. Table 1.1 details the responsibilities of human resource departments. These responsibilities include the practices introduced in Figure 1.1 plus two areas of responsibility that support those practices: (1) establishing and administering personnel policies and (2) ensuring compliance with labor laws.

Although the human resource department has responsibility for these areas, many of the tasks may be performed by supervisors or others inside or outside the organization. No two human resource departments have precisely the same roles, because there are differences in organization sizes and characteristics of the workforce, the industry, and management's values. In some companies the HR department handles all the activities listed in Table 1.1. In others it may share the roles and duties with managers of other departments, such as finance, operations, or information technology. In some companies the HR department actively advises top management. In others the department responds to top-level management decisions and implements staffing, training, and compensation activities in light of company strategy and policies.

Let's take an overview of the HR functions and some of the options available for carrying them out. Human resource management



HR responsibilities include administrative tasks, business services, and working as a strategic corporate partner within the organization.

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FUNCTION	RESPONSIBILITIES
Analysis and design of work	Work analysis; job design; job descriptions
Recruitment and selection	Recruiting; job postings; interviewing; testing; coordinating use of temporary labor
Training and development	Orientation; skills training; career development programs
Performance management	Performance measures; preparation and administration of performance appraisals; feedback and coaching; discipline
Compensation and benefits	Wage and salary administration; incentive pay; insurance; vacation leave administration; retirement plans; profit sharing; health and wellness; stock plans
Employee relations	Attitude surveys; labor relations; employee handbooks; company publications; labor law compliance; relocation and outplacement services
Personnel policies	Policy creation; policy communication
Employee data and information systems	Record keeping; HR information systems; workforce analytics
Compliance with laws	Policies to ensure lawful behavior; reporting; posting information; safety inspections; accessibility accommodations
Support for strategy	Human resource planning and forecasting; talent management; change management

Sources: "Human Resources Managers," *O*NET OnLine*, <https://www.onetonline.org>, updated April 7, 2020; Society for Human Resource Management, "SHRM Essentials of Human Resources," <https://www.shrm.org>, accessed April 7, 2020; SHRM-BNA Survey No. 66, "Policy and Practice Forum: Human Resource Activities, Budgets, and Staffs, 2000–2001," *Bulletin to Management*, Bureau of National Affairs Policy and Practice Series (Washington, DC: Bureau of National Affairs, June 28, 2001).

involves both the selection of which options to use and the activities involved with using those options. Later chapters of this book will explore each function in greater detail.

Analyzing and Designing Jobs

To produce their given product or service (or set of products or services), companies require that a number of tasks be performed. The tasks are grouped together in various combinations to form jobs. Ideally, the tasks should be grouped in ways that help the organization operate efficiently and obtain people with the right qualifications to do the jobs well. This function involves the activities of job analysis and job design. **Job analysis** is the process of getting detailed information about jobs. **Job design** is the process of defining the way work will be performed and the tasks that a given job requires.

In general, jobs can vary from having a narrow range of simple tasks to having a broad array of complex tasks requiring multiple skills. At one extreme is a worker on an assembly line at a poultry-processing facility; at the other extreme is a doctor in an emergency room. In the past, many companies have emphasized the use of narrowly defined jobs to increase efficiency. With many simple jobs, a company can easily find workers who can quickly be trained to perform the jobs at relatively low pay. However, greater concern for innovation and quality has shifted the trend to using more broadly defined jobs. Also, as we will see in Chapters 2 and 4, some organizations assign work even more broadly, to teams instead of individuals.

TABLE 1.1

Responsibilities of HR Departments

Job Analysis

The process of getting detailed information about jobs.

Job Design

The process of defining how work will be performed and what tasks will be required in a given job.



REI is one of only five companies to make *Fortune's* list of "100 Best Companies to Work For" every year since the rankings began in 1998. The retailer of outdoor gear and apparel provides health care benefits to all employees working at least 10 hours per week, plus extra time off with pay for getting outside to enjoy nature. How do you think this boosts morale?

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8 PART 1 The Human Resource Environment

Recruitment

The process through which the organization seeks applicants for potential employment.

Selection

The process by which the organization attempts to identify applicants with the necessary knowledge, skills, abilities, and other characteristics that will help the organization achieve its goals.

Training

An organization's planned efforts to help employees acquire job-related knowledge, skills, abilities, and behaviors, with the goal of applying these on the job.

Development

The acquisition of knowledge, skills, and behaviors that improve an employee's ability to meet changes in job requirements and in customer demands.

TABLE 1.2

Top Qualities Employers Look For in Employees

Recruiting and Hiring Employees

Based on job analysis and design, an organization can determine the kinds of employees it needs. With this knowledge, it carries out the function of recruiting and hiring employees.

Recruitment is the process through which the organization seeks applicants for potential employment. **Selection** refers to the process by which the organization attempts to identify applicants with the necessary knowledge, skills, abilities, and other characteristics that will help the organization achieve its goals. An organization makes selection decisions in order to add employees to its workforce, as well as to transfer existing employees to new positions.

Approaches to recruiting and selection involve a variety of alternatives. Some organizations may actively recruit from many external sources, such as Internet job postings, online social networks, and college recruiting events. Other organizations may rely heavily on promotions from within, applicants referred by current employees, and the availability of in-house people with the necessary skills.

At some organizations the selection process may focus on specific skills, such as experience with a particular programming language or type of equipment. At other organizations, selection may focus on general abilities, such as the ability to work as part of a team or find creative solutions. The focus an organization favors will affect many choices, from the way the organization measures ability, to the questions it asks in interviews, to the places where it recruits. Table 1.2 lists the top five qualities that employers say they are looking for in job candidates.

Training and Developing Employees

Although organizations base hiring decisions on candidates' existing qualifications, most organizations provide ways for their employees to broaden or deepen their knowledge, skills, and abilities. To do this, organizations provide for employee training and development.

Training is a planned effort to enable employees to learn job-related knowledge, skills, and behavior. For example, many organizations offer safety training to teach employees safe work habits. **Development** involves acquiring knowledge, skills, and behaviors that improve employees' ability to meet the challenges of a variety of new or existing jobs, including the client and customer demands of those jobs. Development programs often focus on preparing employees for management responsibility. Likewise, if a company plans to set up teams to manufacture products, it might offer a development program to help employees learn the ins and outs of effective teamwork.

Decisions related to training and development include whether the organization will emphasize enabling employees to perform their current jobs, preparing them for future jobs, or both. An organization may offer programs to a few employees in whom the organization wants to invest, or it may have a philosophy of investing in the training of all its workers. Some organizations, especially large ones, may have extensive formal training programs, including classroom sessions and training programs online. Other organizations may prefer a simpler, more flexible approach of encouraging employees to participate in outside training and development programs as needs are identified.

1. Problem-solving skills
2. Teamwork skills
3. Strong work ethic
4. Analytical/quantitative skills
5. Written communication skills

Source: Based on National Association of Colleges and Employers, "Key Attributes Employers Want to See on Students' Resumes," January 13, 2020, <https://www.nacweb.org>.

Managing Performance

Managing human resources includes keeping track of how well employees are performing relative to objectives such as job descriptions and goals for a particular position. The process of ensuring that employees' activities and outputs match the organization's goals is called **performance management**. The activities of performance management include specifying the tasks and outcomes of a job that contribute to the organization's success. Then various measures are used to compare the employee's performance over some time period with the desired performance. Often, rewards—the topic of the next section—are offered to encourage good performance.

The human resource department may be responsible for developing or obtaining questionnaires and other devices for measuring performance. The performance measures may emphasize observable behaviors (for example, answering the phone by the second ring), outcomes (number of customer complaints and compliments), or both. When the person evaluating performance is not familiar with the details of the job, outcomes tend to be easier to evaluate than specific behaviors.⁸ The evaluation may focus on the short term or the long term and on individual employees or groups. Typically the person who completes the evaluation is the employee's supervisor. Often employees also evaluate their own performance, and in some organizations, peers and subordinates participate, too.

Performance Management

The process through which managers ensure that employees' activities and outputs contribute to the organization's goals.

Planning and Administering Pay and Benefits

The pay and benefits that employees earn play an important role in motivating them. This is especially true when rewards such as bonuses are linked to the individual's or group's achievements. Decisions about pay and benefits can also support other aspects of an organization's strategy. For example, a company that wants to provide an exceptional level of service or be exceptionally innovative might pay significantly more than competitors in order to attract and keep the best employees. At other companies, a low-cost strategy requires knowledge of industry norms, so that the company does not spend more than it must.

Planning pay and benefits involves many decisions, often complex and based on knowledge of a multitude of legal requirements. An important decision is how much to offer in salary or wages, as opposed to bonuses, commissions, and other performance-related pay. Other decisions involve which benefits to offer, from retirement plans to various kinds of insurance to time off with pay. All such decisions have implications for the organization's bottom line, as well as for employee motivation.

Administering pay and benefits is another big responsibility. Organizations need systems for keeping track of each employee's earnings and benefits. Employees need information about their health plan, retirement plan, and other benefits. Keeping track of this involves extensive record keeping and reporting to management, employees, the government, and others.

Maintaining Positive Employee Relations

Organizations often depend on human resource professionals to help them maintain positive relations with employees. This function includes preparing and distributing employee handbooks that detail company policies and, in large organizations, company publications such as a monthly newsletter or a website on the organization's intranet. Preparing these communications may be a regular task for the human resource department.

The human resource department can also expect to handle certain kinds of communications from individual employees. Employees turn to the HR department for answers to questions about benefits and company policy. If employees feel they have been discriminated against, see safety hazards, or have other problems and are dissatisfied with their supervisor's response, they may turn to the HR department for help. Members of the department



HRM Social

Social-Media Tools for HR Professionals

When people think of social media, they tend to think first of social-networking sites, like Facebook, Instagram, or Twitter. The user creates a profile, builds connections to a network of others, and then posts and views content within that network. The definition of social media is, in fact, broader: online applications that help users share content and collaborate with one another, whether on a game, a work assignment, or a collaborative document like Wikipedia. For HR professionals, those purposes are relevant for networks within the profession, within their organization, and beyond.

For professional networking, HR professionals can participate in social-networking sites like LinkedIn, where there are groups devoted to the profession. The Society for Human Resource Management (SHRM) also has a social-networking group for its members. Some professionals have set up open-source collaborations on sites like HR Open Source and Google's re:Work. Participants can share creations such as sample

documents and stories of successful projects, and others can use these to create plans at their own organization. Users must be careful not to post confidential information on an open-source site.

Within organizations, social-media tools are a practical way to communicate with employees. The company may provide a social-networking application or project management system for employees to collaborate on projects and share ideas. Users can search for inside experts to join a team, serve as a mentor, or answer a question. The HR department can post or text announcements and reminders, such as the enrollment period for employee benefits or a link to a new training program.

Beyond the organization, HR departments want to present a favorable image of the company to possible future employees. One way to do this is with a blog that features stories about the organization's values, projects, and employees. Many organizations participate in industry- or career-related social-networking

sites. They also use content-sharing sites like YouTube and SlideShare to post rich media such as videos.

Questions

1. Of the social-media applications described here, which, if any, have you already used? On which, if any, have you observed messages from employers or co-workers?
2. Based on the descriptions here and your experiences with social media, briefly describe one way the use of social media might help you start or advance your career.

Sources: Carol Patton, "Does Social Media Hurt or Help Your Recruitment Efforts," *Human Resource Executive*, February 14, 2020, <https://hrexecutive.com>; Nathan Resnick, "Why Social Media Is Key to Keeping Employees Engaged at Work," *The Next Web*, July 11, 2019, <https://thenextweb.com>; "The Importance of Social Media in HR," *Society for Human Resource Management* (South Asia blog), May 2, 2018, <https://blog.shrm.org>; Stephen Baer, "Social Media Proves to Boost Employee Engagement," *Forbes*, February 13, 2018, <https://www.forbes.com>; Tamara Lytle, "The New Sharing Community," *HR Magazine*, June/July 2017, pp. 100–106.

should be prepared to address such problems. For some of these communications, HR professionals are increasingly using social-media tools, as described in the "HRM Social" box.

In organizations where employees belong to a union, employee relations entail additional responsibilities. The organization periodically conducts collective bargaining to negotiate an employment contract with union members. The HR department maintains communication with union representatives to ensure that problems are resolved as they arise.

Establishing and Administering Personnel Policies

All the human resource activities described so far require fair and consistent decisions, and most require substantial record keeping. Organizations depend on their HR department to help establish policies related to hiring, discipline, promotions, and benefits. For example, with a policy in place that an intoxicated worker will be immediately terminated, the company can handle such a situation more fairly and objectively than if it addressed such incidents on a case-by-case basis. The company depends on its HR professionals to help develop and then communicate the policy to every employee, so that everyone knows its importance. If anyone violates the rule, a supervisor can quickly intervene—confident that the employee knew the consequences and that any other employee would be treated the

same way. Not only do such policies promote fair decision making, but they also promote other objectives, such as workplace safety and customer service.

Developing fair and effective policies requires strong decision-making skills, the ability to think ethically, and a broad understanding of business activities that will be covered by the policies. In addition, for employees to comply with policies, they have to know and understand the policies. Therefore, human resource management requires the ability to communicate through a variety of channels. Human resource personnel may teach policies by giving presentations at meetings, posting documents online, writing e-mail messages, setting up social-media pages for employees, and in many other ways.

Managing and Using Human Resource Data

All aspects of human resource management require careful and discreet record keeping, from processing job applications, to performance appraisals, benefits enrollment, and government-mandated reports. Handling records about employees requires accuracy as well as sensitivity to employee privacy. Whether the organization keeps records in file cabinets or on a sophisticated computer information system, it must have methods for ensuring accuracy and for balancing privacy concerns with easy access for those who need information and are authorized to see it.

Thanks to computer tools, employee-related information is not just an administrative responsibility; it also can be the basis for knowledge that gives organizations an edge over their competitors. Data about employees can show, for example, which of the company's talent has the most promise for future leadership, what kinds of employees tend to perform best in particular positions, and in which departments the need for hiring will be most pressing. To use the data for answering questions such as these, many organizations have set up human resource information systems. They may engage in **workforce analytics**, which is the use of quantitative tools and scientific methods to analyze data from human resource databases and other sources to make evidence-based decisions that support business goals. For ideas on how to make analytics relevant to business goals, see the "HR How To" box. Chapter 2 will take a closer look at how developments in technology are enabling more sophisticated analysis of employee data to support decision making.

Ensuring Compliance with Labor Laws

As we will discuss in later chapters, especially Chapter 3, the government has many laws and regulations concerning the treatment of employees. These laws govern such matters as equal employment opportunity, employee safety and health, employee pay and benefits, employee privacy, and job security. Government requirements include filing reports and displaying posters, as well as avoiding unlawful behavior. Most managers depend on human resource professionals to help them keep track of these requirements.

Ensuring compliance with laws requires that human resource personnel keep watch over a rapidly changing legal landscape. For example, the increased use of and access to electronic databases by employees and employers suggest that in the near future legislation will be needed to protect employee privacy rights. Currently no federal laws outline how to use employee databases in a way that protects employees' privacy while also meeting employers' and society's concern for security.

Lawsuits that will continue to influence HRM practices concern job security. Because economic or competitive conditions can force companies to close facilities and lay off employees, cases dealing with the illegal discharge of employees have increased. The issue of "employment at will"—that is, the principle that an employer may terminate employment at any time without notice—will be debated. As the age of the overall workforce increases, as described in Chapter 2, the number of cases dealing with age discrimination in layoffs, promotions,

Workforce Analytics

The use of quantitative tools and scientific methods to analyze data from human resource databases and other sources to make evidence-based decisions that support business goals.



HR How To

Using HR Data to Solve Business Problems

Companies are increasingly valuing HR professionals who can analyze data to provide support for business decisions. An understanding of statistics and knowledge about information systems are important technical competencies. But these are relevant only if applied well to the needs of the business. Here are some guidelines for making the connection:

- Communicate formally and informally with people in the organization. Ask open-ended questions, and actively listen to the answers. Identify areas of concern and goals that will deliver important wins.
- Become a student of the organization. Understand its strategic goals, including the main sources of revenues and expenses. Learn to read financial reports, and read them regularly. Keep up

with news about the organization and its industry. Pay attention to how decisions get made and who wields influence.

- Stay familiar with research in the HR field. When a question or problem arises, be able to call to mind relevant research that suggests a way to address the problem. Research these initial ideas to build on existing knowledge and avoid chasing after methods that have been demonstrated to be ineffective.
- Use employee data appropriately. Protect employees' private information, and ensure that employees are aware of what data the company collects about them and how it uses the data. Indicate how the data will benefit employees as well as the organization—for example, by pinpointing knowledge or skills

that, if acquired, will help them succeed on the job.

Questions

1. Review the categories of HR responsibilities (see Table 1.1). For any of the categories, write a question that analytics might be able to answer.
2. In light of the tips listed here, how should an HR professional use data to address the business issue you identified in question 1?

Sources: Dave Weisbeck, "How to Transform HR Data into Business Results," *HR Technologist*, March 9, 2020, <https://www.hrtechnologist.com>; Adam Rogers, "How HR Can Use Data to Drive C-Suite Buy-In," *HCM Technology Report*, March 14, 2019, <https://www.hcmtechnologyreport.com>; Bernard Marr, "5 Inspiring Ways Organizations Are Using HR Data," *Forbes*, May 11, 2018, <https://www.forbes.com>; Julie Winkle Giulioni, "Earn a Seat without Missing a Beat," *TD*, January 2018, pp. 64–66.



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"HR touches every aspect of the business and we're a critical driver of success to the business."

—Tracy Keogh
Chief HR Officer, HP, Inc.

Source: Video Produced for the Center for Executive Succession in the Darla Moore School of Business at the University of South Carolina by Coal Powered Filmworks

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and benefits will likely rise. Employers will need to review work rules, recruitment practices, and performance evaluation systems, and if necessary revise them to ensure that they do not falsely communicate employment agreements the company does not intend to honor (such as lifetime employment) or discriminate on the basis of age.

Supporting the Organization's Strategy

At one time, human resource management was primarily an administrative function. The HR department focused on filling out forms and processing paperwork. As more organizations have come to appreciate the significance of highly skilled human resources, however, many HR departments have taken on a more active role in supporting the organization's strategy. As a result, today's HR professionals need to understand the organization's business operations, project how business trends might affect the business, reinforce positive aspects of the organization's culture, develop talent for present and future needs, craft effective HR strategies, and make a case for them to top management. Amtrak hired Barry Melnkovic to promote this skill set within the human resources function. After spending hours learning about employees' and customers'

experiences, Melnkovic crafted a plan to support Amtrak's strategy. He set up systems in which his employees evaluate the processes they carry out, continually looking for ways to carry out work more efficiently and accurately. He set up a team to develop training aimed at improving passengers' customer experiences. He added bonuses for high performance and replaced task-oriented HR managers with people focused on business performance.⁹

An important element of this responsibility is **human resource planning**, identifying the numbers and types of employees the organization will require in order to meet its objectives. Using these estimates, the human resource department helps the organization forecast its needs for hiring, training, and reassigning employees. Planning also may show that the organization will need fewer employees to meet anticipated needs. In that situation, human resource planning includes how to handle or avoid layoffs. Human resource planning provides important information for **talent management**—a systematic, planned effort to attract, retain, develop, and motivate highly skilled employees and managers. When managers are clear about the kinds of people they will need to achieve the organization's goals, talent management combines recruiting, selection, training, and motivational practices to meet those needs. Approaching these tasks in terms of talent management is one way HR managers are making the link to organizational strategy. At Ochsner Health System in Louisiana, Missy Sparks applied talent management to the challenge of finding and keeping medical assistants at the company's hospitals and health clinics. The demand for qualified workers—especially those with the necessary people skills—was outstripping the supply. Sparks, the company's assistant vice president for talent management and workforce development, partnered with a community college to develop a training program targeting community members who are unemployed and underemployed. The program equips students with technical and people skills, so they can join the workforce and succeed. Ochsner also provides support services to employees when they run into problems that could interfere with staying on the job. Employees recruited through the program are highly committed to their work.¹⁰

Human Resource Planning

Identifying the numbers and types of employees the organization will require in order to meet its objectives.

Talent Management

A systematic, planned effort to attract, retain, develop, and motivate highly skilled employees and managers.

HR Analytics & Decision Making

At Sanfoli, a global health care company with more than 100,000 employees, women were well represented, except in top management. A team investigated the underrepresentation of women at the top and found that when decision makers identified candidates for advancement through management ranks, no process encouraged the selection of women for the roles. They established a six-month program, called ELEVATE, to develop skills in leadership and problem solving. Managers use the results of performance appraisals to nominate female employees to participate in ELEVATE.

In ELEVATE's initial years, 80 women completed the program. Of them, 60% received promotions or other new roles in the company. Participants rate themselves as better leaders, and the participants have been coaching and supporting one another. Based on the early positive reactions, Sanfoli committed to making ELEVATE available to other segments of its employees that also are underrepresented in top jobs.

Questions

1. What potential problem(s) did the data gathered by Sanfoli point to?
2. What additional data would you look for in determining whether HR activities had solved the problem(s)?

Sources: Chandni Patel, "Sanfoli's ELEVATE Program Supports Women Leaders," *MassBio* (Massachusetts Biotechnology Council), January 8, 2018, <https://www.massbio.org>; Jennifer London, "ELEVATE: Sanfoli's Leadership Development Program," *Diversity Best Practices*, May 9, 2017, <https://www.diversitybestpractices.com>.

Evidence-Based HR

Collecting and using data to show that human resource practices have a positive influence on the company's bottom line or key stakeholders.

Sustainability

An organization's ability to profit without depleting its resources, including employees, natural resources, and the support of the surrounding community.

Stakeholders

The parties with an interest in the company's success (typically, shareholders, the community, customers, and employees).

LO 1-3 Summarize the types of competencies needed for human resource management.

As part of its strategic role, one of the key contributions HR can make is to engage in **evidence-based HR**, the collection and use of data to demonstrate that human resource practices have a positive influence on the company's profits or key stakeholders (employees, customers, community, shareholders). This practice helps show that the money invested in HR programs is justified and that HRM is contributing to the company's goals and objectives. For example, data collected on the relationship between HR practices and productivity, turnover, accidents, employee attitudes, and medical costs may show that the HR function is as important to the business as finance, accounting, and marketing.

Often an organization's strategy requires some type of change—for example, adding, moving, or closing facilities; applying new technology; or entering markets in other regions or countries. Common reactions to change include fear, anger, and confusion. The organization may turn to its HR department for help in managing the change process. Skilled human resource professionals can apply knowledge of human behavior, along with performance management tools, to help the organization manage change constructively.

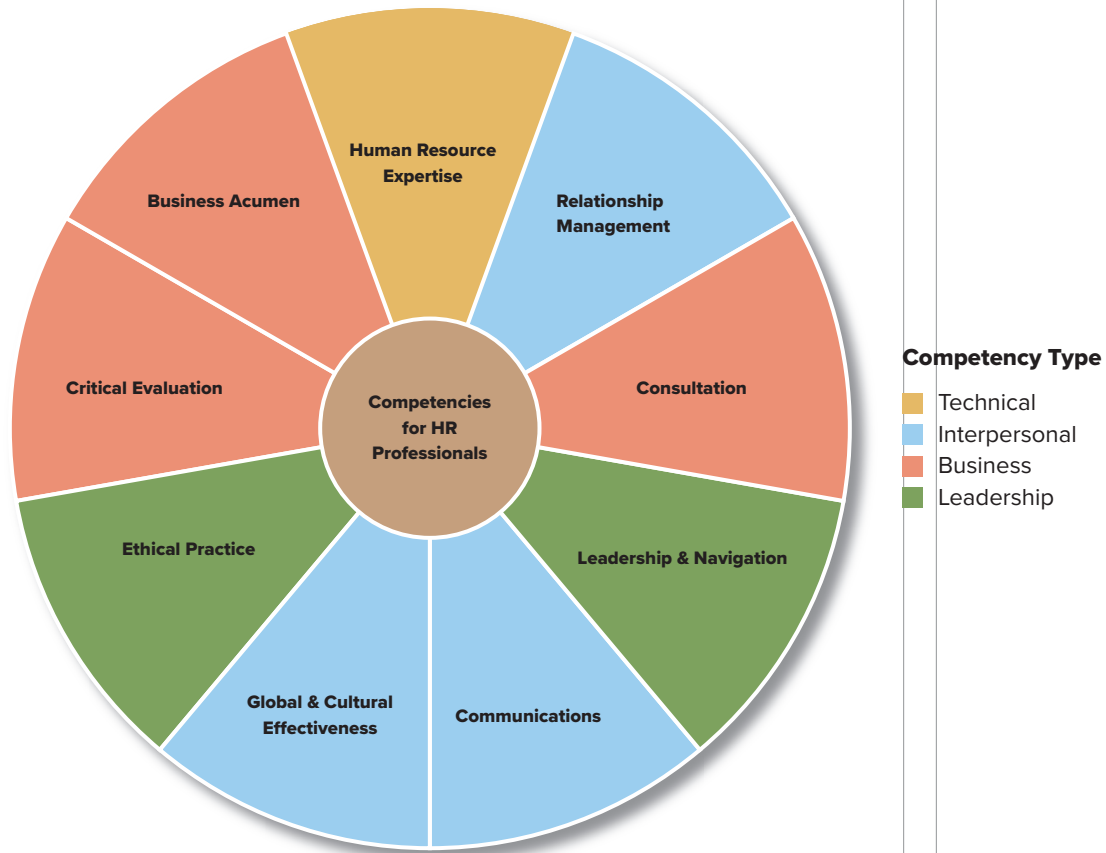
Another strategic challenge tackled by a growing number of companies is how to seek profits in ways that communities, customers, and suppliers will support over the long run. This concern is called **sustainability**—broadly defined as an organization's ability to profit without depleting its resources, including employees, natural resources, and the support of the surrounding community. Success at sustainability comes from meeting the needs of the organization's **stakeholders**, all the parties who have an interest in the organization's success. Typically an organization's stakeholders include shareholders, the community, customers, and employees. Sustainable organizations meet their needs by minimizing their environmental impact, providing high-quality products and services, ensuring workplace safety, offering fair compensation, and delivering an adequate return to investors. Sustainability delivers a strategic advantage when it boosts the organization's image with customers, opens access to new markets, and helps attract and retain talented employees. In an organization with a sustainable strategy, HR departments focus on employee development and empowerment rather than short-term costs, on long-term planning rather than smooth turnover and outsourcing, and on justice and fairness over short-term profits.¹¹ For example, in the midst of the COVID-19 pandemic, many businesses around the world stepped up and repurposed some of their manufacturing facilities to make personal protection equipment (PPE) for health care professionals, including masks, face shields, isolation gowns, hand sanitizer, and parts for ventilators.¹²

Skills of HRM Professionals

With such varied responsibilities, the human resource department needs to bring together a large pool of skills. The Society for Human Resource Management (SHRM) has defined sets of knowledge and skills associated with success, grouping these into nine categories it calls *HR success competencies*: HR expertise, relationship management, consultation, leadership and navigation, communication, global and cultural effectiveness, ethical practice, critical evaluation, and business acumen.¹³ As Figure 1.3 shows, these fall into four clusters of competencies: technical, interpersonal, business, and leadership. In other words, it is not enough to know how to perform tasks specific to human resource management. HR professionals also must be able to work effectively with others, contribute to business success, and lead others ethically.

For each competency, the SHRM model provides definitions, specifics, and standards for the behavior necessary for success at every level in an organization. Here are some examples for each:¹⁴

- *Human resource expertise* essentially involves understanding and carrying out the functions of human resource management. These behaviors include using HR technology, applying policies and procedures, and keeping up-to-date on HR laws.

FIGURE 1.3**Competencies for HR Professionals**

Source: Based on Society for Human Resource Management, *SHRM Competency Model*, www.shrm.org, accessed April 7, 2020.

- *Relationship management* involves handling the personal interactions necessary for providing services and supporting the organization's goals. Behaviors include treating employees respectfully, building trust, and providing great customer service to those served by HR functions.
- *Consultation* refers to the ways HR employees guide others in the organization. They do this through behaviors such as coaching, gathering data to support business decisions, and especially at a senior level, designing solutions in support of business strategy.
- *Leadership and navigation* refer to directing the organization's processes and programs. Depending on one's level in the organization, the necessary behaviors would include behaving consistently with the organization's culture, encouraging people to collaborate, or setting a vision for the HR function or entire organization.
- *Communication* involves the skills needed to exchange information with others inside and outside the organization. Behavior examples include expressing information clearly, providing constructive feedback, and listening effectively.
- *Global and cultural effectiveness* means valuing and considering various people's perspectives. Behaviors include acquiring knowledge of other cultures, resolving conflicts, and supporting inclusiveness so that all can contribute to their fullest.



Best Practices

At Merck, Analytic Skills Have a Measurable Impact

Merck is a global science and technology company based in Germany that makes pharmaceuticals and other product lines. While employees on the business side were used to working with data, the approach to HR management was too often informal and uninformed by analysis. Further, decision makers at facilities around the world applied their own systems and data to arrive at decisions, making it difficult to apply lessons learned in one location to problems experienced in another.

The company decided to improve the analytics capabilities so that they could better serve the company's strategic needs. The People Analytics and Strategic Workforce Planning Group brought together all Merck's employee- and job-related data into a single analytics platform that includes software for modeling future scenarios and conducting statistical analyses. Decision makers around the world now use the same sets of data to answer their own questions. The software interprets natural language, and users are taught to approach analytics from the perspective of the problems they want to solve, not

merely report generation or tabulation of annual opinion surveys.

Implementation of Merck's people analytics platform requires much more than technical competencies. In fact, the software takes care of the mathematical calculations. The HR professionals are therefore charged with understanding the business issues that managers can benefit from investigating. They play a role in helping users frame questions and interpret the recommendations.

Even before this, the company's HR professionals needed significant relationship management and communication competencies in order to make the case for using the new system. They made sure to focus not on the idea they were giving managers a new tool, but on the potential for solving practical problems like how to allocate bonus money or deliver performance feedback in a way that improves performance. They consulted with business managers, so models in the system would be relevant and trusted. Managers saw the value of all this effort, and today Merck views the analytics platform as one of its core strengths.

Questions

1. What categories of competencies can you find described in this story?
2. Suppose the HR division had brought in people analytics experts whose other competencies (i.e., outside of critical evaluation) were just average. How would that staffing approach have affected the introduction and use of the data analytics platform at Merck?

Sources: "Merck KGaA Achieved Strategic Value through Self-Serve Analytics," <https://www.visier.com>, accessed April 7, 2020; Shweta Modgil, "People Analytics Should Be a Part of Company's DNA: Alexis Saussinan, Merck Group," *People Matters*, December 10, 2019, <https://www.peoplesmattersglobal.com>; Aditi Sharma Kalra, "Data Is Great, But So What?" How Merck Overcame Barriers to Adopting a People Analytics Mindset," *Human Resources*, August 29, 2019, <https://www.humanresourcesonline.net>; "Leaders in People Analytics: Merck & Co. on the Research-Practice Divide," *re: Work*, March 21, 2018, <https://rework.withgoogle.com>.

- *Ethical practice* involves applying integrity, accountability, and other core values. Examples include maintaining confidentiality, rewarding ethical behavior, and responding to reports of unethical conduct.
- *Critical evaluation* refers to the interpretation of information needed for making business decisions. Behaviors include gathering relevant data, applying statistical knowledge to understand the data, and finding root causes of problems. (see "Best Practices" for an example).
- *Business acumen* involves understanding how information can be used to support the organization's strategy. Behaviors include gaining and applying knowledge of business principles and how HR functions relate to business success.

An HR organization that doesn't fully identify and acquire these necessary competencies can wind up with shortcomings in knowledge or skills. Given the strategic importance of human resources, a shortcoming in ethics, business relevance, or any of the other competencies can pose significant problems.

HR Responsibilities of Supervisors

Although many organizations have human resource departments, HR activities are by no means limited to the specialists who staff those departments. In large organizations, HR departments advise and support the activities of the other departments. In small organizations, there may be an HR specialist, but many HR activities are carried out by line supervisors. Either way, non-HR managers need to be familiar with the basics of HRM and their role in managing human resources.

At a start-up company, the supervisors are typically the company's founders. Unfortunately, not all founders recognize their HR responsibilities, but those that do have a powerful advantage. For example, Becky Robinson handled hiring, payroll, and other HR needs when she started Weaving Influence, a marketing company. When she was concentrating her efforts on HR activities for the small business, company revenues dropped. Robinson quickly recognized she needed to keep her focus on building the business and turned the HR tasks over to an outside consultant.¹⁵

As we will see in later chapters, supervisors typically have responsibilities related to all the HR functions. Figure 1.4 shows some HR responsibilities that supervisors are likely to be involved in. Organizations depend on supervisors to help them determine what kinds of work need to be done (job analysis and design) and how many employees are needed (HR planning). Supervisors typically interview job candidates and participate in the decisions about which candidates to hire. Many organizations expect supervisors to train employees in some or all aspects of the employees' jobs. Supervisors conduct performance appraisals and may recommend pay increases. And, of course, supervisors play a key role in employee relations because they are most often the voice of management for their employees, representing the company on a day-to-day basis. In all these activities, supervisors can participate in HRM by taking into consideration the ways that decisions and policies will affect their employees. Understanding the principles of communication, motivation, and other elements of human behavior can help supervisors inspire the best from the organization's human resources.



FIGURE 1.4
Supervisors' Involvement in HRM: Common Areas of Involvement

LO 1-4 Explain the role of supervisors in human resource management.

Ethics in Human Resource Management

Whenever people's actions affect one another, ethical issues arise, and business decisions are no exception. **Ethics** refers to fundamental principles of right and wrong; ethical behavior is behavior that is consistent with those principles. Business decisions, including HRM decisions, should be ethical, and many executives see treatment of employees as a top concern (see "Did You Know?"). Nevertheless, surveys indicate that the general public and managers do not have positive perceptions of the ethical conduct of U.S. businesses. For example, in a Gallup poll on honesty and ethics in 23 occupations, only 20% of Americans rated business executives high or very high, while 30% rated them low or very low. And within organizations, a recent survey of workers found that nearly 30% of U.S. workers had witnessed some form of unethical conduct at their workplace.¹⁶

Many ethical issues in the workplace involve human resource management. An issue that has recently received attention is the treatment of women in the workplace. While

LO 1-5 Discuss ethical issues in human resource management.

Ethics

The fundamental principles of right and wrong.



Did You Know?

HR Is Focused on Employee Well-Being

According to Mercer's recent survey of business and HR executives, their most widespread concern is supporting employees' health and well-being. Number two on the list is employees' expectations for a positive digital experience at work.

The concern for employee well-being is especially impressive, given that the survey data were being analyzed as the COVID-19 pandemic was gaining momentum in many parts of the world. For their part, employees surveyed months earlier, before the pandemic dominated the news, were particularly concerned about

help with long-term financial planning and keeping up with expenses. The financial shock associated with the pandemic is likely to have intensified those concerns, increasing the stress of being a worker in today's tumultuous economy.

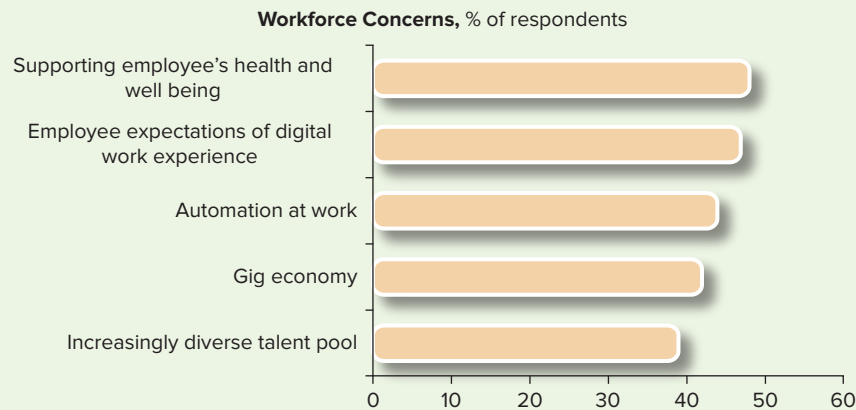
Concern for the well-being of others is a basic ethical value. Some ways employers can put into practice their concern for employees include open and honest communication about changes, giving employees control over working conditions when that is feasible, and creating conditions in which employees can

build positive relationships, such as teamwork and mentoring.

Question

To what extent do you think employers are responsible for the well-being of their employees?

Sources: *Win with Empathy: Global Talent Trends 2020*, Mercer, <https://www.mercer.com>, accessed March 31, 2020; "Employee Well-Being Is Critical to Business Success, Say CEOs," LifeWorks, October 31, 2019, <https://www.lifeworks.com>; Jeffrey Pfeffer, "The Overlooked Essentials of Employee Well-Being," *McKinsey Quarterly*, September 2018, <https://www.mckinsey.com>.



basic principles of dignity and respect would indicate that harassing employees is out of bounds, the recent #MeToo social movement highlighting the widespread sexual harassment of women may be to thank for the decrease in reports of harassment of women and men in the workplace. As we will see in Chapter 3, this kind of conduct is illegal. Providing training about sexual harassment and establishing processes for handling complaints fall under the umbrella of HR responsibilities.¹⁷ In addition to addressing ethics-related embarrassments, HR professionals should consider that a reputation for being ethical may help companies attract employees.

Employee Rights

In the context of ethical human resource management, HR managers must view employees as having basic rights. Such a view reflects ethical principles embodied in the U.S. Constitution and Bill of Rights. A widely adopted understanding of human rights, based on the work

of the philosopher Immanuel Kant, as well as the tradition of the Enlightenment, assumes that in a moral universe, every person has certain basic rights:

- *Right of free consent*—People have the right to be treated only as they knowingly and willingly consent to be treated. An example that applies to employees would be that employees should know the nature of the job they are being hired to do; the employer should not deceive them.
- *Right of privacy*—People have the right to do as they wish in their private lives, and they have the right to control what they reveal about private activities. One way an employer respects this right is by keeping employees' personal records confidential.
- *Right of freedom of conscience*—People have the right to refuse to do what violates their moral beliefs, as long as these beliefs reflect commonly accepted norms. A supervisor who demands that an employee do something that is unsafe or environmentally damaging may be violating this right if the task conflicts with the employee's values. (Such behavior could be illegal as well as unethical.)
- *Right of freedom of speech*—People have the right to criticize an organization's ethics if they do so in good conscience and their criticism does not violate the rights of individuals in the organization. Many organizations address this right by offering hot lines or policies and procedures designed to handle complaints from employees.
- *Right to due process*—If people believe their rights are being violated, they have the right to a fair and impartial hearing. As we will see in Chapter 3, Congress has addressed this right in some circumstances by establishing agencies to hear complaints when employees believe their employer has not provided a fair hearing. For example, the Equal Employment Opportunity Commission may prosecute complaints of discrimination if it believes the employer did not fairly handle the problem.

One way to think about ethics in business is that the morally correct action is the one that minimizes encroachments on and avoids violations of these rights.

Organizations often face situations in which the rights of employees are affected. In particular, the right of privacy of health information has received much attention in recent years. Computerized record keeping and computer networks have greatly increased the ways people can gain (authorized or unauthorized) access to records about individuals. Health-related records can be particularly sensitive. HRM responsibilities include the ever-growing challenge of maintaining confidentiality and security of employees' health information as required by the Health Insurance Portability and Accountability Act (HIPAA).

Standards for Ethical Behavior

Ethical, successful companies act according to four principles.¹⁸ First, in their relationships with customers, vendors, and clients, ethical and successful companies emphasize mutual benefits. Second, employees assume responsibility for the actions of the company. Third, such companies have a sense of purpose or vision that employees value and use in their day-to-day work. Finally, they emphasize fairness; that is, another person's interests count as much as their own.

Consider how these principles might apply to Xplane, a consulting firm based in Portland, Oregon. The company brings together highly creative people to solve complex problems. The commitment to helping clients craft visionary solutions provides a sense of purpose. Ensuring that employees take time to rest and recharge, so they can do their best thinking, generates mutual benefits for the company and its clients, as well as for the employees personally. HR supports the need for time off with a very flexible benefits package. Employees may take as much paid time off as they want, whenever they want. They also have the ability to choose from up to \$200 in reimbursements for expenses related to work/life

FIGURE 1.5
Standards for
Identifying Ethical
Practices



balance—say, gym fees, baby-sitting, or dog walking.¹⁹ If all of this helps people work harder on projects, that result is another mutual benefit.

For human resource practices to be considered ethical, they must satisfy the three basic standards summarized in Figure 1.5.²⁰ First, HRM practices must result in the greatest good for the largest number of people. Second, employment practices must respect basic human rights of privacy, due process, consent, and free speech. Third, managers must treat employees and customers equitably and fairly. The issue of equity and fairness arises at Xplane with regard to the \$200 monthly allotment for work/life benefits. In one sense, it is fairer than the more common approach of the HR department selecting particular benefits, in that everyone has a chance to get benefits of equal value. If, for example, the company offered child care, this benefit would only have value to employees with young children; at Xplane, a childless employee has other benefits to choose from. Not every employee spends the full \$200, but the choice is left to the employee. Similarly, with no defined limit for paid time off, some employees will take more than others, but the employees have control over their own choices. Katie Augsburg, Xplane's manager of employee experience, says the issue she needs to address is that some employees take less time away than the company believes is necessary for recharging, so the company is considering communications to encourage employees to take time off at least three weeks a year.²¹

LO 1-6 Describe
typical careers in human
resource management.

Careers in Human Resource Management

There are many different types of jobs in the HRM profession. Figure 1.6 shows selected HRM positions and their salaries. The salaries vary depending on education and -experience, as well as the type of industry in which the person works. As you can see from Figure 1.6, some positions involve work in specialized areas of HRM such as recruiting, compensation, or employee benefits. Most HR generalists make \$40,000 to \$115,000, depending on their experience and education level. Generalists usually perform the full range of HRM activities, including recruiting, training, compensation, and employee relations.

The vast majority of HRM professionals have a college degree, and many also have completed postgraduate work. The typical field of study is business (especially human resources or industrial relations), but some HRM professionals have degrees in the social sciences (economics or psychology), the humanities, and law programs. Those who have completed

FIGURE 1.6**Median Salaries for HRM Positions**

Source: Data from O*NET OnLine, <https://www.onetonline.org>, accessed April 8, 2020.

graduate work have master's degrees in HR management, business management, or a similar field. This is important because to be successful in HR, you need to speak the same language as people in the other business functions. You have to have credibility as a business leader, so you must be able to understand finance and to build a business case for HR activities.

HR professionals can increase their career opportunities by taking advantage of training and development programs. These may include taking courses toward a master's degree, studying to pass an exam for a professional certification, accepting assignments to spend time observing, or "shadowing," a manager in another department, or taking a position in another department to learn more about the business. An HR leader who has benefited from this approach is Chuck Edward, Microsoft's head of global talent acquisition. Edward, who told an interviewer he has "always craved learning," became interested in organizational psychology while in college. After he earned his psychology degree, he went to graduate school to study for a master's degree in human resources. Realizing that his fellow students had business experience and he did not, he spent his first summer of graduate school at an unpaid internship, supplemented with helping out at area staffing agencies. This gave him enough experience to land a job as an HR manager with 3M, which rotated him through different roles, moving him to a new job every 18 months. The challenge of mastering a broad range of HR positions prepared Edward to move to a regional HR leadership role at Pepsi, where management urged him to learn about the business. That meant learning took the form of watching and listening to be sure he understood business needs and constraints before moving forward with his ideas. Edward's drive for learning makes him an excellent fit for Microsoft's culture of smart people with a desire to constantly improve.²²

Some HRM professionals have a professional certification in HRM, but many more are members of professional associations. The primary professional organization for HRM is the Society for Human Resource Management (SHRM). SHRM, the world's largest human

resource management association, provides education and information services, conferences and seminars, government and media representation, and online services and publications (such as *HR Magazine*). SHRM has developed two levels of certification (SHRM-Certified Professional and SHRM-Senior Certified Professional) related to its nine-competency model. Another organization, the HR Certification Institute (HRCI), also offers national and international certifications. Among these are PHR (Professional in Human Resources) and SPHR (Senior Professional in Human Resources), based on work experience, knowledge, and education. It recently added the certification aPHRi (Associate Professional in Human Resources-International) for people who are new to the field and want to acquire a foundation of knowledge.²³ Other organizations support professional development in particular areas of human resource management; two examples are the Association for Talent Development and the Labor and Employment Relations Association.

Organization of This Book

This chapter has provided an overview of human resource management to give you a sense of its scope. The topics of this book are organized according to the broad areas of human resource management shown in Table 1.3. The numbers in the table refer to the part and chapter numbers.

The remaining chapters in Part 1 discuss aspects of the human resource environment: trends shaping the field (Chapter 2), legal requirements (Chapter 3), and the work to be done by the organization, which is the basis for designing jobs (Chapter 4). Part 2 explores the responsibilities involved in acquiring and equipping human resources for current and future positions: HR planning and recruiting (Chapter 5), selection and placement of employees (Chapter 6), training (Chapter 7), and developing (Chapter 8). Part 3 turns to the assessment and improvement of performance through creation of high-performance

TABLE 1.3
Topics Covered in This Book

- | |
|--|
| I. The Human Resource Environment |
| 1. Managing Human Resources |
| 2. Trends in Human Resource Management |
| 3. Providing Equal Employment Opportunity and a Safe Workplace |
| 4. Analyzing Work and Designing Jobs |
| II. Acquiring, Training, and Developing Human Resources |
| 5. Planning for and Recruiting Human Resources |
| 6. Selecting Employees and Placing Them in Jobs |
| 7. Training Employees |
| 8. Developing Employees for Future Success |
| III. Assessing and Improving Performance |
| 9. Creating and Maintaining High-Performance Organizations |
| 10. Managing Employees' Performance |
| 11. Separating and Retaining Employees |
| IV. Compensating Human Resources |
| 12. Establishing a Pay Structure |
| 13. Recognizing Employee Contributions with Pay |
| 14. Providing Employee Benefits |
| V. Meeting Other HR Goals |
| 15. Collective Bargaining and Labor Relations |
| 16. Managing Human Resources Globally |

organizations (Chapter 9), performance management (Chapter 10), and appropriate handling of employee separation when the organization determines it no longer wants or needs certain employees (Chapter 11). Part 4 addresses topics related to compensation: pay structure (Chapter 12), pay to recognize performance (Chapter 13), and benefits (Chapter 14). Part 5 explores special topics faced by HR managers today: human resource management in organizations where employees have or are seeking union representation (Chapter 15) and international human resource management (Chapter 16).

Along with examples highlighting how HRM helps a company maintain high performance, the chapters offer various other features to help you connect the principles to real-world situations. “Best Practices” boxes tell success stories related to the chapter’s topic. “HR Oops!” boxes identify situations gone wrong and invite you to find better alternatives. “HR How To” boxes provide details about how to carry out a practice in each HR area. “Did You Know?” boxes are snapshots of interesting statistics related to chapter topics. Many chapters also include an “HRM Social” box identifying ways that human resource professionals are applying social media to help their organizations excel in the fast-changing modern world. In addition, “HR Analytics & Decision Making” features throughout the book highlight an evidence-based approach to management, which focuses on people, employees, and human capital.

THINKING ETHICALLY

WHOSE SIDE ARE YOU ON?

The roles of HR professionals can be complex. The HR goal of equipping the organization with a well-qualified, highly motivated workforce should be consistent with managers’ and the organization’s goals for business performance. But at the level of particular decisions, employees and managers may not see much alignment between their positions. Decisions about pay, for example, affect the employee’s wallet and the company’s bottom line in opposite ways. HR professionals develop skills in navigating these differences with clear expectations and accurate data, so both parties feel they have been treated fairly.

Experienced HR professionals advise that most of these conflicting sets of expectations can be resolved by putting the company’s long-term value ahead of any quick wins for a particular employee or manager. Managers generally understand that treating employees fairly and honestly is in the company’s long-term interest, and employees generally understand that the company has to set spending limits in order to survive.

Ethical challenges arise for HR practitioners in the less common situations where managers fail to align their interests with the company’s. This problem arises when an employee complains that a highly valued manager or employee has been engaging in harassment. If the HR professional conducts an investigation and finds evidence of misconduct, executives may hesitate to take action against the valuable harasser. They may pressure the HR department to let it go or simply move one of the parties to another

department. They may press to keep the story quiet, which means other victims will miss a chance to come forward and future victims will have no warning. In these situations, HR professionals are caught between doing what serves the executives who want to maintain the status quo and doing what serves the employee who spoke up. Victims have complained that the usual choice is to serve the executives, so some do not bother to speak up about misconduct—thus contributing to a climate in which misdeeds continue.

Questions

1. Consider a situation where a new sales associate complains that a top-earning sales manager has been harassing her. Who would be affected by (a) a decision to fire the sales manager; and (b) a decision to tell the employee the manager is valuable, and she should figure out how to handle the situation herself?
2. What duties does the HR department receiving this complaint have to (a) the sales associate; (b) the sales manager; and (c) the company that employs them?

Sources: Laurie Ruettimann, “Why HR Is Powerless to Effectively Handle Sexual Harassment Claims,” *Vox*, October 3, 2019, <https://www.vox.com>; Anne Sanders, “HR’s Delicate Balancing Act,” *Business NH*, January 2018, pp. 46–48; Jennifer Arnold, “Whose Side Are You On, Anyway?” *HR Magazine*, June/July 2017, pp. 109–112; Desda Moss, “Career Lessons from Coretta Rushing: Always Re-Create Yourself,” *HR Magazine*, February 2017, pp. 61–63.

SUMMARY

LO 1-1 Define human resource management, and explain how HRM contributes to an organization's performance.

- Human resource management consists of an organization's policies, practices, and systems that influence employees' behavior, attitudes, and performance.
- HRM influences who works for an organization and how.
- Well-managed human resources can be a source of sustainable competitive advantage by contributing to quality, profits, and customer satisfaction.

LO 1-2 Identify the responsibilities of human resource departments.

- Analyze and design jobs.
- Recruit and select employees.
- Equip employees by training and developing them.
- Through performance management, ensure that employees' activities and outputs match the organization's goals.
- Plan and administer pay and employee benefits.
- Engage in employee relations—for example, communications and collective bargaining.
- Establish and administer personnel policies and keep records.
- Help ensure compliance with labor laws.
- Support the development and execution of corporate strategy.

LO 1-3 Summarize the types of competencies needed for human resource management.

- Technical competencies involve HR expertise.
- Interpersonal competencies are relationship management, communication, and global and cultural effectiveness.
- Business competencies are business acumen, critical evaluation, and consultation.

- Leadership competencies are leadership and navigation, as well as ethical practice.
- For each competency, the SHRM model provides definitions, specifics, and standards for the behavior necessary for success at every level in an organization.

LO 1-4 Explain the role of supervisors in human resource management.

- Help analyze work.
- Interview job candidates and participate in selection decisions.
- Provide employee training.
- Conduct performance appraisals.
- Recommend pay increases.
- Represent the company to their employees.

LO 1-5 Discuss ethical issues in human resource management.

- Should make decisions that result in the greatest good for the largest number of people.
- Should respect basic rights of privacy, due process, consent, and free speech.
- Should treat others equitably and fairly.
- Should recognize ethical issues that arise in areas such as employee privacy, protection of employee safety, and fairness in employment practices.

LO 1-6 Describe typical careers in human resource management.

- Careers may involve specialized work (e.g., recruiting, training, or labor relations).
- Others may be generalists, performing a range of activities.
- A college degree in business or social sciences usually is required.
- People skills must be balanced with attention to details of law and knowledge of business.

KEY TERMS

human resource management (HRM), 3

human capital, 4

job analysis, 7

job design, 7

recruitment, 8

selection, 8

training, 8

development, 8

performance management, 9

workforce analytics, 11

human resource planning, 13

talent management, 13

evidence-based HR, 14

sustainability, 14

stakeholders, 14

ethics, 17

REVIEW AND DISCUSSION QUESTIONS

1. How can human resource management contribute to a company's success? (LO 1-1)
2. Imagine that a small manufacturing company decides to invest in a materials resource planning (MRP) system. This is a computerized information system that improves efficiency by automating such work as planning needs for resources, ordering materials, and scheduling work on the shop floor. The company hopes that with the new MRP system, it can grow by quickly and efficiently processing small orders for a variety of products. Which of the human resource functions are likely to be affected by this change? How can human resource management help the organization carry out this change successfully? (LO 1-2)
3. What competencies are important for success in human resource management? Which of these competencies are already strengths of yours? Which would you like to develop? (LO 1-3)
4. Traditionally, human resource management practices were developed and administered by the company's human resource department. Line managers are now playing a major role in developing and implementing HRM practices. Why do you think non-HR managers are becoming more involved? (LO 1-4)
5. If you were to start a business, which aspects of human resource management would you want to entrust to specialists? Why? (LO 1-3)
6. Why do all managers and supervisors need knowledge and skills related to human resource management? (LO 1-4)
7. Federal law requires that employers not discriminate on the basis of a person's race, sex, national origin, or age over 40. Is this also an ethical requirement? A competitive requirement? Explain. (LO 1-5)
8. When a restaurant employee slipped on spilled soup and fell, requiring the evening off to recover, the owner realized that workplace safety was an issue to which she had not devoted much time. A friend warned the owner that if she started creating a lot of safety rules and procedures, she would lose her focus on customers and might jeopardize the future of the restaurant. The safety problem is beginning to feel like an ethical dilemma. Suggest some ways the restaurant owner might address this dilemma. What aspects of human resource management are involved? (LO 1-5)
9. A friend hears you are taking this course and mentions an interest in an HRM career. Based on this chapter's description, what advice would you give your friend? (LO 1-6)

SELF-ASSESSMENT EXERCISE

Mc
Graw
Hill connect

Do You Have What It Takes to Work in HR?

Instructions: Read each statement and circle *yes* or *no*.

- | | | |
|-----|----|--|
| Yes | No | 1. I have leadership and management skills I have developed through prior job experiences, extracurricular activities, community service, or other noncourse activities. |
| Yes | No | 2. I have excellent communications, dispute resolution, and interpersonal skills. |
| Yes | No | 3. I can demonstrate an understanding of the fundamentals of running a business and making a profit. |
| Yes | No | 4. I can use spreadsheets and the Internet, and I am familiar with information systems technology. |
| Yes | No | 5. I can work effectively with people of different cultural backgrounds. |
| Yes | No | 6. I have expertise in more than one area of human resource management. |
| Yes | No | 7. I have a willingness to learn. |

- | | | |
|-----|----|---|
| Yes | No | 8. I listen to issues before reacting with solutions. |
| Yes | No | 9. I can collect and analyze data for business solutions. |
| Yes | No | 10. I am a good team member. |
| Yes | No | 11. I have knowledge of local and global economic trends. |
| Yes | No | 12. I demonstrate accountability for my actions. |

Scoring: The greater the number of yes answers, the better prepared you are to work as an HR professional. For questions you answered no, you should seek courses and experiences to change your answers to *yes*—and better prepare yourself for a career in HR!

Sources: Based on J. Trammell, "4 Things CEOs Want from HR Leadership," *Entrepreneur*, January 19, 2016, <https://www.entrepreneur.com>; SHRM, "Elements for Success Competency Model, 2012," www.shrm.org, March 21, 2012; B.E. Kaufman, "What Companies Want from HR Graduates," *HR Magazine*, September 1994.

TAKING RESPONSIBILITY

PwC's Anti-Racism Strategy Starts at the Top

PwC (formerly PricewaterhouseCoopers) is a global firm providing businesses with auditing, tax preparation, and management consulting services. Given that its clientele has diverse employees and customers, PwC has long appreciated the strategic importance of talented employees representing many different perspectives. So when the death of George Floyd under the knee of a Minneapolis police officer once again brought issues of racial justice into the limelight in the United States in the spring of 2020, PwC managers had already been engaged with the topic.

Sadly, another police killing of a black man had stimulated the conversation at PwC two years before this. A senior PwC associate, Botham Jean, had been shot to death by an off-duty police officer while watching football in his Dallas apartment. At trial, the officer said she had entered the apartment by mistake, thinking it was her own and that Jean was an intruder, but the officer was convicted of murder. PwC's U.S. chairman, Tim Ryan, joined the mourning and sent employees an e-mail saying, "It is important that we all take time to understand the experiences our underrepresented minorities—and especially, in this situation, our black colleagues—experience in everyday life so that we can all be better coworkers, friends and allies." Ryan (who is white) had already been encouraging employees to engage in constructive conversations about race, but the shooting of one of the firm's own brought a new intensity to the concern.

According to Ryan, the motive for encouraging these conversations is a fundamental belief that people contribute the most to the organization when they can openly share their views and experiences. Further, employees are likelier to commit to staying with the organization when they feel heard and able to contribute. So for Ryan, the effort to communicate is part of the culture, not a short-term program. He talked with the rest of the leadership team to ensure they were in agreement with these principles.

One of those leaders is Shannon Schuyler, PwC's chief purpose and inclusion officer. When Ryan opened up racial issues for conversation, she was impressed with the openness and the lessons about how racial justice affects employees. For example, participants learned that at times, when black employees were tardy, it was because they had been delayed by police stopping them during their drive to work.

In 2020, following the shooting of George Floyd, Ryan again wrote to all his employees, this time listing six actions PwC would be taking "to support our Black colleagues, to improve diversity and inclusion efforts within our firm, and to contribute to the efforts of those who are fighting for racial justice and equality on the front lines." The first item was creation of a staff advisory council composed of employees at all levels to consider how to advance progress on diversity and inclusion. The company's leadership also committed to transparency in communicating its goals and progress on diversity, as well as support for outside organizations working on justice and inclusion. Employees interested in working at nonprofits or on policy issues can do so on company time. In public comments, Ryan noted that employees were upset, exhausted, and looking for action, not just statements, from employers.

Despite all the good intentions at the top, PwC has work to do if it wants to excel at diversity and inclusion. While Ryan notes that efforts at planning for future leadership have led to two of three heads of major business lines being black men, only one member of the board of directors was black at the time of the 2020 promises. PwC's leadership hopes that their goals and transparency about progress will help the firm continue to improve.

Questions

1. A major responsibility of HR departments is to support the organization's strategy. Pick one of the other HR responsibilities (such as recruiting, hiring, or training), and briefly say how it could support PwC's strategy of enabling full participation by diverse employees.
2. PwC's CEO aims to communicate fully the firm's progress in achieving diversity and inclusion. Suggest two measures PwC could use to track its progress.

Sources: PwC corporate website, "Careers" and "About Us," <https://www.pwc.com>, accessed June 21, 2020; Jeanne Sahadi, "PwC Chairman: How Corporate America Can Stop Failing Black Workers and Diversify Its Ranks," *CNN*, June 10, 2020, <https://www.cnn.com>; Timothy F. Ryan, "What PwC Is Doing to Stand Up against Racism," *LinkedIn*, June 4, 2020, <https://www.linkedin.com>; Kevin Stankiewicz, "Executive at Top U.S. Accounting Firm Details Plan to Combat Racism, Says Workers 'Want Action,'" *CNBC*, June 4, 2020, <https://www.cnbc.com>; Kathryn Dill, "CEOs and Big Businesses Speak Out on Racism, Police Violence," *The Wall Street Journal*, June 2, 2020, <https://www.wsj.com>; Mareesa Nicosia, "20 Minutes With: Shannon Schuyler, U.S. Chief Purpose and Inclusion Officer at PwC," *Barrons*, October 28, 2019, <https://www.barrons.com>; Vanessa Fuhrmans, "This Boss Is Making Race Relations a Business Matter," *The Wall Street Journal*, March 13, 2019, <https://www.wsj.com>.

MANAGING TALENT

Old Navy's Talent Strategy Fills in Some Gaps

Retailing is a difficult business, involving stiff competition both online and off, along with fast-changing consumer preferences. So far, Old Navy is one of the winners. A division

of The Gap, Old Navy has an attractive position in the market, offering what it calls "democracy of style": low prices on "American essentials," so that almost anyone can afford them. As Gap closes hundreds of its Banana Republic and Gap locations, it is opening Old Navy and Athleta stores.

This strategy for Old Navy requires low costs, even as a strong economy with falling unemployment rates is making jobs harder to fill. Retail jobs tend to be low-paying, and job applicants are not always well qualified. Worse, those who do take jobs often quit. Therefore, a key business challenge for Old Navy is to keep entry-level positions filled with qualified, motivated workers.

One solution to the need for talent started out as an effort by Gap to address a social problem—the struggle of teens, especially in poor neighborhoods, to land a job. Teens who have never worked tend to lag behind the overall workforce for years afterward. To combat the problem, Gap created an internship program called This Way Ahead (TWA). The program partners with local nonprofits that provide training in basic job skills such as customer service, time management, and communication. Participants get part-time jobs at Old Navy and other stores under the Gap umbrella, where they can practice the skills they are learning. Most of them go on to get an offer of a permanent job.

According to Old Navy HR director Andrea Shimer, the retailer discovered that these employees are particularly well equipped for work in the stores. They tend to be enthusiastic about their jobs, and they stay with the company twice as long as employees hired through other channels. Some of them go on to college but continue to work part-time; some move up to management positions. An additional benefit is that store managers who serve in the TWA program increase their skills in developing the employees who report to them.

Based on the success of This Way Ahead, Gap has made it part of the company's strategy for talent acquisition. It uses the program to provide interns to 172 Old Navy and other Gap-owned stores. Looking ahead, the company has set a goal to make TWA the source of 5% of its entry-level employees by 2025. TWA's creation and rollout are also consistent with Old Navy's HR goal of creating "a workplace culture that embraces diversity and inclusion and treats every individual with dignity and respect," in the words of Kisha Modica, Gap's senior director of diversity and inclusion.

Questions

1. In your own words, briefly summarize the business problem facing The Gap and the effectiveness of This Way Ahead as a solution to the problem.
2. Suggest one or two ways Old Navy's HR department could use data to measure the success of This Way Ahead in providing a source of talent. That is, what measures would indicate success?

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HR IN SMALL BUSINESS

Impossible Foods' Business Mission

If ever there was a mission-driven company, Impossible Foods is it. Pat Brown, the founder and CEO, is a biochemist who decided in his mid-fifties to shift from corporate research to helping the planet. Brown observed that one of the biggest contributors to climate change is beef production. In the United States, more than one-fourth of the land is devoted to cattle, which emit methane, a particularly damaging greenhouse gas. Recognizing that people love hamburgers, Brown set up a laboratory to identify the components of beef and bring together the same chemistry from plant sources. As Brown sees it, if the world's beef lovers would switch to his Impossible Burger, humans would eat delicious food without destroying the planet as we know it. This requires a product that is widely available and affordable.

Brown and his team of scientists pinned down a recipe that has received favorable reviews, but building a company to make it available is at least as challenging. For the first few years, most Impossible Foods employees were research scientists. Brown hired Dana Worth to run a sales operation, which won orders from grocery stores, Burger King, Qdoba, and White Castle. This put a strain on the

company's single assembly line, which was running just one shift. Still, for Brown, the mission has remained central. He says a key part of his job is "reminding people of the importance of what we are doing."

The company hired Dennis Woodside from Google to serve as president, applying his experience in managing operations. Woodside, who expected to focus on the sales team, quickly became aware that production workers were overstressed and exhausted. Woodside sought volunteers from the sales force to work on a second assembly line while the company arranged a deal with a food processor in Chicago to make the plant-based meat product.

Despite the stress induced by the fast ramp-up of activity, Brown cares about doing the right thing for his people as well as the planet. He aims to pay what he calls a "thriving wage," that is, more than a living wage. And during the COVID-19 epidemic, he put safety ahead of production targets, sending workers home with full pay. Because the company produces food, it could have continued operating, but Brown determined that enough products were in inventory already to fill its existing orders.

Impossible Foods recently hired Brian Miller to be its chief people officer, reporting to Woodside. Miller's prior

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position was vice president for talent, development, and inclusion at another biotech start-up, Gilead Sciences, so he has experienced the rapid expansion of a business. He previously ran a consulting firm that specialized in helping HR departments apply technology.

Questions

1. Brian Miller is taking over the top HR job at a company that has been moving fast without a strategic HR vision. Which of the HR functions would you recommend that Miller prioritize? Why?

2. Based on the information provided, what ethical standards is Impossible Foods demonstrating with regard to its employees? Where do you see areas for improvement?

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Trends in Human Resource Management

2



Some manufacturers are charging their HR departments with identifying current workers who have the intellect and process knowledge necessary to learn and utilize advanced work technologies.

What Do I Need to Know?

After reading this chapter, you should be able to:

- LO 2-1** Describe trends in the labor force composition and how they affect human resource management.
- LO 2-2** Summarize areas in which human resource management can support the goal of creating a high-performance work system.
- LO 2-3** Define employee empowerment, and explain its role in the modern organization.
- LO 2-4** Identify ways HR professionals can support organizational strategies for growth, quality, and efficiency.
- LO 2-5** Summarize ways in which human resource management can support organizations expanding internationally.
- LO 2-6** Discuss how technological developments are affecting human resource management.
- LO 2-7** Explain how the nature of the employment relationship is changing.
- LO 2-8** Discuss how the need for flexibility affects human resource management.

Introduction

Vision, salesmanship, and technology kept Pioneer Service in business when its customers started looking overseas for lower prices. The machine shop, based in the Chicago suburb of Addison, used to make parts for heating and cooling systems. When sales plummeted, Pioneer's president, Aneesa Muthana, hired salespeople to find out what kinds of machining were in demand; they discovered a market in making parts for luxury cars. To meet the demand, they would have to speed up production, using modern automated equipment. Pioneer gave employees the opportunity to learn the new skills required. However, only one-quarter of the company's workers were able to make the transition from manual labor to working with computers and data.

For those who can make the switch to high-tech work, the opportunities are great. Today's manufacturers are constantly searching for people who can do the coding that tells computer-controlled machinery how to make precision parts. Much of these workers' days is spent analyzing data produced by manufacturing systems and addressing maintenance and other problems identified. Whereas manufacturing jobs used to go to people who could apply physical strength and stamina to their work, today's employers tend to be looking for an associate's degree or certification that shows mastery of technical and analytic skills.

Some companies are charging their HR departments with identifying which of their current workers have the intellect and understanding of processes necessary for learning to work with computers. These companies commit to training because it gives them a more reliable supply of talent for the new era of manufacturing. This type of HR expertise gives an advantage not only to manufacturers but also to companies in any industry where technology is transforming the way work gets done.¹