

VALENTINE MEGLICH MATHIS JACKSON

HUMAN RESOURCE MANAGEMENT



SIXTEENTH EDITION

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TO

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BRIEF CONTENTS

	Preface xxi
SECTION 1	The Environment of Human Resource Management 1
CHAPTER 1	Human Resource Management in Organizations 2
CHAPTER 2	Human Resource Strategy and Planning 34
CHAPTER 3	Equal Employment Opportunity 70
SECTION 2	Jobs and Labor 109
CHAPTER 4	Workforce, Jobs, and Job Analysis 110
CHAPTER 5	Individual/Organization Relations and Retention 148
CHAPTER 6	Recruiting High-Quality Talent 182
CHAPTER 7	Selecting Human Resources 220
SECTION 3	Talent Development 259
CHAPTER 8	Training Human Resources 260
CHAPTER 9	Talent, Careers, and Development 298
CHAPTER 10	Performance Management and Appraisal 338
SECTION 4	Compensation 371
CHAPTER 11	Total Rewards and Compensation 372
CHAPTER 12	Managing Employee Benefits 412
SECTION 5	Employee Relations and Global Human Resource Management 451
CHAPTER 13	Risk Management and Worker Protection 452
CHAPTER 14	Employee Rights and Responsibilities 492
CHAPTER 15	Union–Management Relations 530
CHAPTER 16	Global Human Resource Management 568
	Consult IID Deleted tab Descriptions
APPENDIX A	Sample HR-Related Job Descriptions and Job Specifications 599
APPENDIX B	PHR® and SPHR® Exam Eligibility Requirements 601
APPENDIX C	Human Resource Management Resources 607
APPENDIX D	Major Federal Equal Employment Opportunity Laws and Regulations 611
APPENDIX E	Uniform Guidelines on Employee Selection 613
APPENDIX F	Pre-Employment Inquiries 617
APPENDIX G	Equal Employment Opportunity Enforcement 619
	Glossary 623
	Author Index 632
	Subject Index 639

v

Preface xxi



CHAPTER 1

Human Resource Management in Organizations 2

HR HEADLINE: Cool Commitment at Igloo 3

1-1 What Is Human Resource Management? 4

1-1a Why Organizations Need HR Management 4

HR PERSPECTIVE: Transforming HR at Popeyes Louisiana Kitchen 6

1-2 Managing Human Resources in Organizations 7

1-2a Human Resource Management as a Core Competency 7

1-2b Employees as a Core Competency 7

1-3 HR Management Functions 11

HR COMPETENCIES & APPLICATIONS:

Building Healthy Organizations 12

1-4 Roles for Human Resource Departments 14

1-4a Administrative Role for Human Resources 151-4b Operational and Employee Advocate Role for Human Resources 15

1-4c Strategic Role for Human Resources 15

1-5 Human Resources Management Challenges 16

1-5a Competition, Cost Pressures, and Restructuring 16

1-5b Globalization 18

1-5c A Changing Workforce 19

1-5d Human Resources and Technology 20

1-6 Organizational Ethics and Human Resource Management 22

1-6a Ethical Culture and Practices 22

HR ETHICS: HR Keeps Organization on Straight and Narrow 23

1-6b Ethics and Global Differences 241-6c Role of Human Resources in Organizational Ethics 24

1-7 Human Resources Management Competencies and Careers 25

1-7a Human Resources Competencies 25

1-7b Human Resource Management as a Career Field 27

1-7c Human Resource Professionalism and Certification 27

Summary 28

Critical Thinking Challenges 29

Case: Organizational Culture Gone Wrong 29

Supplemental Cases: Water Quality Association: Building Competencies with Technology; Rio Tinto: Redesigning HR; Phillips Furniture; Sysco; HR, Culture, and Success at Google, Scripps, and UPS 30

TABLE OF CONTENTS vii

CHAPTER 2

Human Resource Strategy and Planning 34

HR HEADLINE: HR Planning in the "Air Capital of the World" 35

2-1 Organizational Strategic Planning 36

- 2-1a Strategy Formulation 36
- 2-1b Managing in Turbulent Conditions 37
- 2-1c Triple Bottom Line 37

2-2 Human Resources and Strategy 38

HR PERSPECTIVE: Genentech Maps Its Human Resources Possibilities 39

- 2-2a Human Resource Contributions to Strategy 41
- 2-2b Human Resources Strategies for Global Competitiveness 41

HR COMPETENCIES & APPLICATIONS: Latin American Firms Face Staffing Problems 43

2-3 Human Resource Planning 44

- 2-3a Human Resources Planning Process 44
- 2-3b Environmental Analysis 45

2-4 Planning for External Workforce Availability 46

- 2-4a Economic and Governmental Factors 46
- 2-4b Geographic and Competitive Evaluations 46
- 2-4c Changing Workforce Considerations 47

2-5 Planning for Internal Workforce Availability 47

2-5a Current and Future Jobs Audit 47

HR HIGHLIGHT: Barriers to Workforce

Planning 48

2-5b Employee and Organizational Capabilities Inventory 48

2-6 Forecasting HR Supply and Demand 49

- 2-6a Forecasting Methods and Periods 49
- 2-6b Forecasting the Demand (Need) for Human Resources 49
- 2-6c Forecasting the Supply (Availability) of Human Resources 51

2-7 Workforce Imbalances 51

- 2-7a Managing a Talent Surplus 52
- 2-7b Legal Considerations for Workforce Reductions 55
- 2-7c Managing a Talent Shortage 55

2-8 Human Resources Planning in Mergers and Acquisitions 56

- 2-8a Before the Deal 56
- 2-8b During Integration 57
- 2-8c Post-Integration 58

2-9 Measuring the Effectiveness of Human Resources and Human Capital 58

2-9a HR Metrics and Analytics 58

HR COMPETENCIES & APPLICATIONS: Talking Numbers with Organization Leaders 60

- 2-9b Human Resources and Benchmarking 61
- 2-9c Human Resources and the Balanced Scorecard 61
- 2-9d Human Capital Effectiveness Measures 62
- 2-9e Human Resources Audit 63

Summary 64

Critical Thinking Challenges 64

Case: Happy and Healthy Talent Transformation at Walgreens 65

Supplemental Cases: HR's Performance Consulting at Ingersoll Rand; Analytics at PricewaterhouseCoopers; Where Do You Find the Bodies?; Xerox; Pioneers in HR Analytics 66

End Notes 66

CHAPTER 3

Equal Employment Opportunity 70

HR HEADLINE: Dupont Helps Employees Challenged by Mental Illnesses 71

3-1 The Nature of Equal Employment Opportunity 72

3-1a Sources of Regulation and Enforcement 73

3-2 Theories of Unlawful Discrimination 75

3-2a Equal Employment Opportunity Concepts 75

HR COMPETENCIES & APPLICATIONS: What to Do When the EEOC Comes Knocking 77

3-3 Broad-Based Discrimination Laws 78

- 3-3a Civil Rights Act of 1964, Title VII 78
- 3-3b Civil Rights Act of 1991 79
- 3-3c Executive Orders 11246, 11375, and 11478 79
- 3-3d Managing Affirmative Action Requirements 80
- 3-3e Managing Racial and Ethnic Discrimination Issues 80

3-4 Sex and Gender Discrimination Laws and Regulations 81

- 3-4a Pregnancy Discrimination 81
- 3-4b Equal Pay and Pay Equity 81

HR COMPETENCIES & APPLICATIONS: Practices That Help Reduce the Gender Pay Gap 82

3-4c Managing Sex and Gender Issues 83

HR HIGHLIGHT: Gender Bias Negatively Impacts Men Too 85

- 3-4d Sexual Orientation 86
- 3-4e Nepotism 86
- 3-4f Consensual Relationships and Romance at Work 86

3-5 Sexual Harassment 86

- 3-5a Types of Sexual Harassment 87
- 3-5b Sexual Harassment Causes and Issues 88
- 3-5c Preventing Sexual Harassment 88

3-6 Disability Discrimination 88

3-6a Rehabilitation Act 88

HR COMPETENCIES & APPLICATIONS: Develop Effective Harassment Training for Your Employees 89

- 3-6b Americans with Disabilities Act 90
- 3-6c ADA Amendments Act 90
- 3-6d ADA and Job Requirements 91
- 3-6e Claims of Discrimination 93
- 3-6f Genetic Bias Regulations 94

3-7 Age Discrimination Laws 94

- 3-7a Age Discrimination in Employment Act 95
- 3-7b Older Workers Benefit Protection Act 95
- 3-7c Managing Age Discrimination 95

3-8 Religion and Spirituality in the Workplace 96

3-8a Managing Religious Diversity 97

3-9 Managing Other Discrimination Issues 97

- 3-9a National Origin 97
- 3-9b Immigration Reform and Control Act 98
- 3-9c Language Issues 98
- 3-9d Military Status Protections 99
- 3-9e Appearance and Weight Discrimination 99

3-10 Diversity Training 100

- 3-10a Components of Traditional Diversity Training 100
- 3-10b Mixed Results for Diversity Training 100
- 3-10c Improving Diversity Training Efforts 100

Summary 101

Critical Thinking Challenges 101

Case: Hilton Turns to Veterans to Staff the Ranks 101

Supplemental Cases: Conflict over an Employee's Pregnancy at UPS; Worker Exploitation at Foxconn/Hon Hai; Keep on Trucking; Mitsubishi Believes in EEO—Now; Religious Accommodation? 102

TABLE OF CONTENTS ix

SECTION 2

Jobs and Labor 109

CHAPTER4

Workforce, Jobs, and Job Analysis 110

HR HEADLINE: Preparing for Industry 4.0 111

4-1 The Workforce Profile 112

4-1a Important Elements of the Workforce Profile 113

HR COMPETENCIES & APPLICATIONS:

Capitalizing on the Graying Workforce 116

HR PERSPECTIVE: Women Dig Mining Careers 118

4-2 The Nature of Work and Jobs 119

- 4-2a Technology Transformation 119
- 4-2b Workflow Analysis 120
- 4-2c Job Design/Job Redesign 121
- 4-2d Using Contingent Workers as Job Design 121
- 4-2e Common Approaches to Job Design 122
- 4-2f Characteristics of Jobs to Consider in Design 123
- 4-2g Using Teams in Job Design 124

HR COMPETENCIES & APPLICATIONS:

Telecommuting in the Global Business Environment 125

4-3 Designing Flexible Jobs 126

- 4-3a Place Flexibility: Telework 127
- 4-3b Time Flexibility: Work Scheduling 128

HR PERSPECTIVE: Flexing on the Front Line 129

- 4-3c Managing Flexible Work 130
- 4-3d Flexibility and Work-Life Integration 130

4-4 Understanding Job Analysis 131

- 4-4a Purposes of Job Analysis 131
- 4-4b Job Analysis Responsibilities 132
- 4-4c Task-Based Job Analysis 132
- 4-4d Competency-Based Job Analysis 133

4-5 Implementing Job Analysis 133

- 4-5a Plan the Job Analysis 134
- 4-5b Prepare for and Introduce the Job Analysis 134
- 4-5c Conduct the Job Analysis 134
- 4-5d Develop Job Descriptions and Job

Specifications 134

4-5e Maintain and Update Job Descriptions and Job Specifications 134

4-6 Job Analysis Methods and Sources 135

- 4-6a Observation 135
- 4-6b Interviewing 136
- 4-6c Questionnaires 136
- 4-6d O*Net 136
- 4-6e Sources of Information for Job Analysis 137

4-7 Behavioral and Legal Aspects of Job Analysis 138

- 4-7a Current Incumbent Emphasis 138
- 4-7b "Inflation" of Jobs and Job Titles 138
- 4-7c Employee and Managerial Concerns 138
- 4-7d Legal Aspects of Job Analysis 139

HR COMPETENCIES & APPLICATIONS: Writing Appropriate Job Descriptions 140

4-8 Job Descriptions and Job Specifications 141

- 4-8a Job Descriptions 141
- 4-8b Job Specifications 141
- 4-8c Performance Standards 141
- 4-8d Job Description Components 141

Summary 143

Critical Thinking Challenges 143

Case: Chatting with the HR Chatbot 144

Supplemental Cases: Unilever Jumps on the Flexible Work Bandwagon; Bon Secours Health Care; The Reluctant Receptionist; Jobs and Work at R. R. Donnelley; Flexible Work and Success at Best Buy 145

CHAPTER 5

Individual/Organization Relations and Retention 148

HR HEADLINE: Starwood Hotels' Employees Create Guest Experience 149

5-1 Individuals at Work 150

5-1a Individual Performance Factors 151

5-1b Individual Motivation 152

HR ETHICS: Working with Slackers Hurts Motivation 155

5-1c Management Implications for Motivating Individual Performance 155

5-2 Individual Workers and Organizational Relationships 156

5-2a Psychological Contract 157

5-2b Job Satisfaction and Commitment 158

HR PERSPECTIVE: Getting Engaged at PwC 160

5-2c Employee Engagement, Loyalty, and Organizational Citizenship 161

5-2d Organizational Trust 162

HR ETHICS: The Formula for Building Trust 163

5-3 Employee Absenteeism 163

5-3a Types of Absenteeism 164

5-3b Controlling Absenteeism 164

5-3c Measuring Absenteeism 165

5-4 Employee Turnover 166

5-4a Types of Employee Turnover 167

5-4b Measuring Employee Turnover 168

HR PERSPECTIVE: All Aboard the Retention Bus 169

5-5 HR Metrics: Determining Turnover Costs 169

5-5a Detailing Turnover Cost 170

5-5b Optimal Turnover 170

5-6 Retaining Talent 171

5-6a Myths and Realities about Retention 171

5-6b Drivers of Retention 171

5-6c Retaining Top Performers 173

5-7 Managing Retention 174

5-7a Retention Assessment and Metrics 174

HR COMPETENCIES & APPLICATIONS: Conducting Exit Interviews 176

5-7b Retention Evaluation and Follow-Up 176

Summary 177

Critical Thinking Challenges 177

Case: Giving Time to Get Employees Engaged 178

Supplemental Cases: Carolina Biological Uses Survey to Assess Worker Engagement; The Clothing Store; Accenture: Retaining for Itself; Alegent Health 178

End Notes 179

CHAPTER 6

Recruiting High-Quality Talent 182

HR HEADLINE: Artificial Intelligence Makes Recruiting Smart 183

6-1 Recruiting 184

6-1a Strategic Recruiting and Human Resources Planning 185

6-2 Strategic Recruiting Decisions 185

6-2a Assigning Responsibility for Recruiting 1866-2b Employment Branding and Employer of

Choice 187

HR COMPETENCIES & APPLICATIONS: Manage Your Employment Brand 188

6-2c Core versus Flexible Staffing 188

6-2d Recruiting and EEO: Diversity Considerations 190

HR PERSPECTIVE: Companies Recruit Millennials to Secure Age-Diverse Talent 192

6-3 Understanding Labor Markets 193

6-3a Elements of the Labor Market 193

6-3b Recordkeeping of Applications 194

6-3c Different Labor Markets and Recruiting 195

HR COMPETENCIES & APPLICATIONS: Decoding Military Résumés 196

6-3d Recruiting Source Choices: Internal versus External 197

TABLE OF CONTENTS xi

6-4 Technology for Recruiting 197

6-4a Social Media and Networking 197

6-4b Web-Based Recruiting Options 198

6-4c E-Video and Recruiting 199

6-4d Gamification 199

6-4e Legal Issues in Internet Recruiting 200

6-4f Advantages of Using Technology in Recruiting 200

6-4g Disadvantages of Using Technology in Recruiting 201

6-5 Internal Recruiting Methods 201

6-5a Organizational Databases 202

6-5b Job Posting 202

6-5c Employee-Focused Recruiting 203

HR PERSPECTIVE: Employee Referrals Go "Social" 204

6-6 External Recruiting Sources 205

6-6a Media Sources 205

6-6b Competitive Recruiting Sources 206

6-6c Employment Agencies 206

6-6d Labor Unions 206

6-6e Job Fairs and Creative Recruiting 206

6-6f Educational Institutions and Recruiting 207

6-7 Recruiting Evaluation and Metrics 208

6-7a Evaluating Recruiting Quantity and Quality 208

6-7b Evaluating Recruiting Satisfaction 209

6-7c Evaluating the Time Required to Fill Openings 209

6-7d Evaluating the Cost of Recruiting 210

6-7e General Recruiting Process Metrics 210

6-7f Improving Recruiting Effectiveness 212

Summary 213

Critical Thinking Challenges 213

Case: General Electric Hires Marketing Expert to Build Employment Brand 214

Supplemental Cases: Finding Employees in the Customer Database; FedEx's Independent Contractors: Is the Company Really Recruiting Employees?; Recruiting at Kia; Northwest State College; Enterprise Recruiting 214

End Notes 215

CHAPTER 7

Selecting Human Resources 220

HR HEADLINE: Lights . . . Camera . . . Action! Firms Use Tryouts and Auditions to Hire Employees 221

7-1 Selection and Placement 222

7-1a Placement 222

7-1b Selection Responsibilities 223

HR PERSPECTIVE: A Focus on Competencies for Strategic Hiring 224

7-1c Selection, Criteria, Predictors, and Job

Performance 225

7-1d Reliability and Validity 225

HR COMPETENCIES & APPLICATIONS:

Understanding Errors in Selection Decision Making 227

7-1e Combining Predictors 229

7-2 The Selection Process 230

7-2a Legal Considerations in Selection 231

7-2b Applicant Job Interest 231

7-2c Pre-Employment Screening 231

7-2d Applications and Résumés 232

HR PERSPECTIVE: The Good Housekeeping Seal of Approval? 235

7-2e Security Concerns and Immigration Verification 235

7-3 Selection Testing 236

7-3a Ability Tests 236

7-3b Personality Tests 237

7-3c Emotional Intelligence Tests 238

7-3d Honesty and Integrity Tests 239

HR PERSPECTIVE: Behavioral Assessments 240

7-4 Selection Interviews 241

7-4a Interview Quality 241

7-4b Structured Interviews 242

7-4c Less-Structured Interviews 242

HR COMPETENCIES & APPLICATIONS: Catching Star Employees 243

7-4d Who Conducts Interviews? 244

7-4e Effective Interviewing 244

7-4f Problems in the Interview 246

7-5 Background Investigations 247

7-5a Negligent Hiring and Retention 247

7-5b Legal Constraints on Background Investigations 247

7-5c Medical Examinations and Inquiries 248

HR HIGHLIGHT: Ban-the-Box Legislation Affects Hiring 249

7-5d Previous Employment Checks and Personal References 249

7-5e Additional Selection Criteria 250 7-5f Making the Job Offer 251

7-6 Emerging Challenges and Best Practices 252

7-6a Time to Hire and Related Concerns 252

7-6b Best Practices for Employee Selection 252

Summary 252

Critical Thinking Challenges 253

Case: "To Test, or Not to Test, That Is the Question" for Amtrak, Integra LifeSciences 253

Supplemental Cases: It's All in the Family; Using Data to Enhance Hiring Decisions; Full Disclosure on Sex Offenders?; Strategic Selection: A Review of Two Companies; Selecting a Programmer 254

End Notes 254

SECTION 3

Talent Development 259

CHAPTER 8

Training Human Resources 260

HR HEADLINE: Patagonia's Multifaceted Training Program 261

8-1 Organizational Strategy and Training 262

8-1a Strategic Training 263

8-1b Investments in Training 263

8-1c Organizational Competitiveness and Training 264

HR PERSPECTIVE: "3 ... 2 ... 1 ... Lift Off!" NASA's Knowledge Management Approach Aims for the Stars 266

8-2 Training and Human Resources 267

8-2a Legal Issues and Training 267

8-2b Training Categories 268

8-2c New Employee Orientation/Onboarding 269

8-2d Orientation: Evaluation and Metrics 270

8-3 Instructional Systems Design 271

8-4 Training Needs Assessment 272

8-4a Analysis of Training Needs 272

8-4b Establishing Training Objectives and

Priorities 273

8-5 Training Design 274

8-5a Learner Characteristics 275

8-5b Instructional Strategies 276

HR COMPETENCIES & APPLICATIONS:

Training a Multigenerational Workforce 277

8-5c Training Transfer 278

8-6 Training Delivery 279

8-6a Internal Training 281

8-6b External Training 282

8-6c Combination Training Approaches 283

HR PERSPECTIVE: Building Talent 284

8-7 Technology in Training Delivery 284

8-7a E-Learning: Online Training 284

8-7b Simulations and Games 285

TABLE OF CONTENTS xiii

8-7c Mobile Learning 286

8-7d Pros and Cons of Technology-Supported E-Learning 287

8-8 Training Evaluation 287

8-8a Levels of Evaluation 287

8-8b Training Evaluation Metrics 288

8-8c Training Evaluation Designs 289

Summary 290

Critical Thinking Challenges 290

Case: Bloomingdale's Uses Interactive Platform to Improve Safety Knowledge 291

Supplemental Cases: Saving Lives through Effective Training; Using Performance Support to Improve Learning; Training Crucial for Hotels; New Payroll Clerk; Onboarding in the Twenty-First Century 291

End Notes 292

CHAPTER 9

Talent, Careers, and Development 298

HR HEADLINE: Talent Development Leads to Success at Hilton Worldwide 299

9-1 Talent Management as Strategy 300

9-2 Talent Management in Perspective 301

HR COMPETENCIES & APPLICATIONS: Managing Talent for Success 302

9-2a Talent Management Information Systems and Technology 303

9-2b Scope of Talent Management 303

9-2c High-Potential Individuals 305

HR ETHICS: HiPo or Non-HiPo? 306

9-3 Succession Planning 307

9-3a Succession Planning Process 308

9-3b Succession Planning Decisions 309

9-3c Benefits of Succession Planning 310

HR COMPETENCIES & APPLICATIONS: Do's and

Don'ts of Succession Planning 311

9-4 Careers and Career Planning 312

9-4a Changing Nature of Careers 312

9-4b Organization-Centered Career Planning 312

9-4c Individual-Centered Career Planning 314

9-4d Career Progression Considerations 316

9-4e Career Transitions 318

9-5 Common Individual Career Challenges 318

9-5a Technical and Professional Workers 318

9-5b Women and Careers 319

HR HIGHLIGHT: Talent Management Strategies That Support Women's Careers 320

9-5c Dual-Career Couples 320

9-6 Developing Human Resources 321

9-6a Possible Development Focuses 321

9-6b Development Needs Analyses 322

HR COMPETENCIES & APPLICATIONS: Leveling Development Focus 323

9-7 Talent Development Approaches 324

9-7a Job-Site Development Approaches 324

9-7b Off-Site Development Approaches 325

9-8 Management and Leader Development 326

9-8a Problems with Management Development Efforts 326

9-8b Supervisor Development 327

9-8c Leadership Development 328

HR PERSPECTIVE: Playing the Leadership Game 328

Summary 330

Critical Thinking Challenges 331

Case: Western Union Program Guides Team Development 331

Supplemental Cases: Walmart's Boot Camp for Top Leaders; Leadership Leverage; Equipping for the Future; Developed Today, Gone Tomorrow 332

CHAPTER 10

Performance Management and Appraisal 338

HR HEADLINE: Improving the Health of Performance Management at JBS United 339

10-1 The Nature of Performance Management 340

10-1a Global Cultural Differences in Performance Management 341

10-1b Performance-Focused Organizational Cultures 341

HR COMPETENCIES & APPLICATIONS: SHRM Develops Recommended Performance Management Standard 342

10-2 Identifying and Measuring Employee Performance 343

HR PERSPECTIVE: Exposing Dead Wood 344

10-2a Types of Performance Information 345

10-2b Performance Standards 346

10-3 Performance Appraisals 347

10-3a Uses of Performance Appraisals 348

10-3b Performance Appraisals and Ethics 350

10-3c Decisions about the Performance Appraisal

Process 350

10-3d Legal Concerns and Performance Appraisals 351

HR COMPETENCIES & APPLICATIONS: **Elements** of a Legal Performance Appraisal System 351

10-4 Who Conducts Appraisals? 352

10-4a Supervisory Ratings of Subordinates 352

10-4b Employee Ratings of Managers 352

10-4c Team/Peer Ratings 353

10-4d Self-Ratings 353

10-4e Outsider/Customer Ratings 353

10-4f Multisource/360-Degree Rating 354

HR ETHICS: Building Ethics with Multisource Appraisals and Coaching 355

10-5 Methods for Appraising Performance 356

10-5a Graphic Rating Scales 356

10-5b Comparative Methods 358

10-5c Narrative Methods 360

10-5d Goal Setting and Management by Objectives 360

HR COMPETENCIES & APPLICATIONS:

Mentorships Require Dynamic Goal Setting 361

10-5e Combinations of Methods 362

10-6 Training Managers and Employees in Performance Appraisal 362

10-6a Rater Errors 363

10-7 Appraisal Feedback 364

10-7a The Appraisal Discussion 364

10-7b Reactions of Managers and Employees 364

10-7c Effective Performance Management 365

10-7d Performance Management 2.0 365

Summary 366

Critical Thinking Challenges 366

Case: Deloitte Revolutionizes Performance Management 367

Supplemental Cases: Microsoft Jettisons Stack Rankings; Performance Management at Netflix; Performance Management Improvements for Bristol-Myers Squibb; Building Performance through Employee Participation; Unequal/Equal Supervisors 368

TABLE OF CONTENTS XV

SECTION 4

Compensation 371

CHAPTER 11

Total Rewards and Compensation 372

HR HEADLINE: GoDaddy Go! 373

11-1 Nature of Total Rewards and Compensation 374

11-1a Components of Compensation 375

11-2 Laws Governing Compensation 376

11-2a Fair Labor Standards Act 376

11-2b Pay Equity Laws 379

11-2c Independent Contractor Regulations 379

11-2d Pay for Internships 380

HR ETHICS: To Pay or Not to Pay? 380

11-2e Additional Laws Affecting Compensation 381

11-3 Strategic Compensation Decisions 381

11-3a Organizational Climate and Compensation Philosophies 381

11-3b Communicating Pay Philosophy 382

11-3c Administrative Responsibilities 382

11-4 Compensation System Design Issues 383

11-4a Motivation Theories and Compensation Philosophies 383

11-4b Compensation Fairness and Equity 384

11-4c Market Competitive Compensation 385

HR COMPETENCIES & APPLICATIONS: Is It

Better to Know? 386

11-4d Competency-Based Pay 388

11-4e Global Compensation Issues 388

11-5 Developing a Base Pay System 388

11-5a Job Evaluation Methods 389

11-5b Market Pricing 390

HR COMPETENCIES & APPLICATIONS: Point

Factor Example 390

11-5c Pay Surveys 391

11-6 Pay Structures 392

11-6a Pay Grades 392

11-6b Pay Ranges 393

11-6c Individual Pay 394

11-7 Determining Pay Increases 395

11-7a Performance-Based Increases 395

11-7b Standardized Pay Adjustments 396

11-7c Compensation Challenges 397

11-8 Variable Pay 397

11-8a Effective Variable Pay 399

11-8b Three Levels of Variable Pay 400

11-8c Individual Incentives 400

HR COMPETENCIES & APPLICATIONS:

Tracking Time and Motion 401

11-8d Team Incentives 402

HR COMPETENCIES & APPLICATIONS: Getting

Free Riders off the Train 403

11-8e Organizational Incentives 404

11-9 Special Pay Situations 404

11-9a Sales Compensation 405

11-9b Executive Compensation 405

11-10 Human Resource Metrics and Compensation 405

Summary 406

Critical Thinking Challenges 407

Case: Should Private-Sector Employees Get Compensatory Time? 407

Supplemental Cases: Establishing Pay at United Grinding Technologies Incorporated; Want to Earn a Bonus? Work for Uncle Sam; Is the FLSA a Dinosaur?; Pay for Performance Enhances Employee Management at Scripps Health; Best Buy Pays Big Bucks for CEO; Sodexo Incentives 408

CHAPTER 12

Managing Employee Benefits 412

HR HEADLINE: Thinking Outside of the Box 413

12-1 Benefits and HR Strategy 415

12-1a Benefits as a Competitive Advantage 415

12-1b Tax-Favored Status of Benefits 416

HR COMPETENCIES & APPLICATIONS: Gross-Up

Pay Calculation 416

12-1c Global Benefits 417

12-1d Public-Sector Benefits 417

12-1e Types of Benefits 417

12-2 Managing Benefits 418

12-2a Benefits Design 418

12-3 Benefits Administration, Technology, and Communication 420

12-3a Benefits Measurement 421

12-3b Benefit Cost Control 422

12-3c Benefit Communication 422

12-4 Legally Required Benefits 423

12-4a Social Security and Medicare 423

12-4b Workers' Compensation 423

HR COMPETENCIES & APPLICATIONS: "One Toke over the Line"—No Coverage for Medical Marijuana 424

12-4c Unemployment Compensation 425

12-4d Additional Legally Required Benefits 425

12-5 Retirement Benefits 425

12-5a Retirement Plan Concepts 426

12-5b Retirement Plans 427

12-6 Legal Regulation of Retirement Benefits 429

12-6a Employee Retirement Income Security Act 429

12-6b Retirement Benefits and Age Discrimination 429

12-7 Health Care Benefits 430

12-7a Increases in Health Benefit Costs 430

12-7b Health Care Reform Legislation 430

12-7c Employer-Sponsored Plans 431

12-7d Controlling Health Care Benefit Costs 432

12-7e Wellness Initiatives and Other Innovative

Health Care Programs 433

12-7f Health Care Legislation 434

HR COMPETENCIES & APPLICATIONS: Well-Being

Leads to Higher Productivity 435

12-7g Dental and Vision Coverage 436

12-8 Financial Benefits 436

12-8a Insurance Benefits 436

12-8b Financial Services 437

12-8c Education Assistance 437

HR PERSPECTIVE: Cooking Up Financial

Health 438

12-8d Severance Pay 439

12-9 Family-Oriented Benefits 439

12-9a Family and Medical Leave Act 439

12-9b Family-Care Benefits 440

12-10 Paid-Time-Off Benefits 441

12-10a Vacation Pay 441

HR PERSPECTIVE: Banking on Maternity

Assistance 442

12-10b Holiday Pay 442

12-10c Leaves of Absence 443

12-10d Paid-Time-Off Plans 443

12-10e Employee-Paid Group Benefits 443

Summary 444

Critical Thinking Challenges 444

Case: The City in Red 445

Supplemental Cases: Limited Caps Technology to Communicate Benefits; Creative Benefits Tie Employees to the Company; Delivering Benefits; Benefiting Connie; Strategic Benefits at KPMG Canada 445

TABLE OF CONTENTS xvii

SECTION 5

Employee Relations and Global Human Resource Management 451

CHAPTER 13

Risk Management and Worker Protection 452

HR HEADLINE: Industries Pushed Around by Workplace Bullying 453

13-1 Safety and Health Regulations 455

13-1a Workers' Compensation 455

13-1b Americans with Disabilities Act and Safety Issues 457

13-1c Child Labor Laws 457

13-1d Legal Issues Related to Work Assignments 457

HR ETHICS: What Is the Real Cost of Your iPhone? 459

13-2 Occupational Safety and Health Act 460

13-2a OSHA Enforcement Actions and Results 460

13-2b Workplace Safety Standards 462

13-2c OSHA Recordkeeping Requirements 463

13-2d OSHA Inspections 465

13-3 Safety Management 466

13-3a Organizational Commitment to Safety 467

13-3b Safety Policies, Discipline, and Recordkeeping 467

13-3c Safety Training and Communication 467

13-3d Effective Safety Committees 467

13-3e Inspection, Investigation, and Evaluation 468

13-3f Accident Reduction Using Ergonomics 468

13-3g Approaches for Effective Safety Management 469

13-3h Measuring Safety Efforts 470

13-4 Employee Health and Wellness 470

13-4a Substance Abuse 470

HR COMPETENCIES & APPLICATIONS: Calculating Incidence Rates 471

13-4b Emotional/Mental Health 473

13-4c Stress and Burnout 474

13-4d Smoking at Work 474

13-4e Health Promotion 475

13-5 Workplace Security Concerns 476

13-5a Security Management 477

13-5b Employee Screening and Selection 477

HR COMPETENCIES & APPLICATIONS:

Dangers of BYOD 478

13-5c Security Personnel 478

13-5d Workplace Violence 479

13-6 Disaster Preparation and Recovery Planning 481

13-6a Disaster Planning 482

Summary 483

Critical Thinking Challenges 484

Case: Companies Partner to Promote Active Work Cultures 484

Supplemental Cases: Building a Culture of Safety; Wellness Programs Help the Bottom Line; Data Security; What's Happened to Bob?; Communicating Safety and Health Success 485

End Notes 485

CHAPTER 14

Employee Rights and Responsibilities 492

HR HEADLINE: Google Fires Employee over Diversity Memo 493

14-1 Employer and Employee Rights and Responsibilities 494

14-1a Contractual Rights 495

HR PERSPECTIVE: Building Cars by Building Workers 496

14-1b Implied Contracts 497

14-2 Rights Affecting the Employment Relationship 498

14-2a Employment at Will 498

14-2b Just Cause 499

14-2c Due Process 500

14-2d Organizational Justice 500

14-2e Alternative Dispute Resolution 502

HR COMPETENCIES & APPLICATIONS: Setting Up an Alternative Dispute Resolution Process 503

14-3 Managing Individual Employee and Employer Rights Issues 504

14-3a Privacy Rights and Employee Records 504

14-3b Employees' Free Speech Rights 505

14-3c Technology and Employer-Employee Issues 506

14-3d Employee Rights and Personal Behavior

Issues 508

14-4 Balancing Employer Security and Employee Rights 509

14-4a Workplace Monitoring 509

HR COMPETENCIES & APPLICATIONS: Caught in the Crosshairs 510

14-4b Employer Investigations 511

HR ETHICS: Is Somebody Out There Watching Me? 511

14-5 Human Resource Policies, Procedures, and Rules 514

14-5a Employee Handbooks 515

14-5b Communicating Human Resource Information 516

HR COMPETENCIES & APPLICATIONS: Taking Your Handbook Online 517

14-6 Employee Discipline 518

14-6a Effective Discipline 518

14-6b Approaches to Discipline 519

14-6c Challenges in Employee Discipline 520

14-6d Termination: The Final Disciplinary Step 521

Summary 523

Critical Thinking Challenges 523

Case: Fidelity Deals with Workplace Bullying and Harassment 524

Supplemental Cases: How Special Is That Sandwich?; Dealing with Workplace Bullying; George Faces Challenges; Employer Liable for "Appearance Actions" 524

End Notes 525

CHAPTER 15

Union-Management Relations 530

HR HEADLINE: Whole Foods Must Ditch Its No-Recording at Work Policy 531

15-1 Perspectives on Unionization 532

15-1a Why Employees Unionize 532

15-1b Why Employers Resist Unions 533

15-2 Union Membership in the United States 534

15-2a Reasons for U.S. Union Membership

Long-Term Decline 535

15-2b Public-Sector Unionism 538

15-2c Unions Fighting for Survival 538

15-3 U.S. Labor Laws 539

15-3a Early Labor Legislation 540

15-3b Wagner Act (National Labor Relations Act) 540

15-3c Taft-Hartley Act (Labor Management

Relations Act) 541

HR COMPETENCIES & APPLICATIONS: Unfair

Labor Practices 542

15-3d Landrum-Griffin Act (Labor Management

Reporting and Disclosure Act) 544

15-3e Significant NLRB Activities

and Rulings 544

15-4 The Union Organizing Process 546

15-4a Organizing Campaign 546

15-4b Authorization Cards 548

15-4c Representation Election 548

HR COMPETENCIES & APPLICATIONS:

Unionization Do's and Don'ts 550

15-4d Certification and Decertification 550

15-4e Contract Negotiation (Collective

Bargaining) 551

TABLE OF CONTENTS xix

15-5 Collective Bargaining Issues 551

15-5a Management Rights 551

15-5b Union Security 552

15-5c Classification of Bargaining Issues 552

15-6 Collective Bargaining Process 553

15-6a Preparation and Initial Demands 553

15-6b Continuing Negotiations 554

15-6c Settlement and Contract Agreement 554

15-6d Bargaining Impasse 555

15-6e Strikes and Lockouts 555

HR PERSPECTIVE: Labor Agreement Takes Flight 556

15-6f Trends in Union-Management Negotiations 557

15-7 Union-Management Cooperation 557

15-7a Employee-Involvement Programs 557

15-7b Unions and Employee Ownership 558

15-8 Resolving Disputes 558

15-8a Grievance Procedures 558

15-8b Steps in a Grievance Procedure 559

Summary 560

Critical Thinking Challenges 560

Case: Interest in Student Unionization on the Rise 561

Supplemental Cases: Driving Away the UAW; Teamsters and the Fraternal Order of Police (FOP); The Wilson County Hospital; Walmart and Union Prevention 562

End Notes 562

CHAPTER 16

Global Human Resource Management 568

HR HEADLINE: Big, Bigger, Biggest 569

16-1 Managing in a Global Context 570

16-1a Economic Interdependence 570

16-1b Global and Regional Alliances 571

16-1c Population & Demographic Trends 572

16-2 Becoming a Global Company 573

16-2a Reasons for Global Expansion 573

HR HIGHLIGHT: Driving a Revolution 574

16-2b International Orientations 574

16-2c Global Business Approaches 575

16-2d Managing Across Cultures 577

HR ETHICS: Worked to Death 578

16-2e Global Human Resource Management 578

16-3 Global Staffing Strategies 579

16-3a Types of Global Employees 579

16-3b Global Labor Markets 580

16-4 Compensation in a Global Organization 581

HR COMPETENCIES & APPLICATIONS: Latin American Firms Face Staffing Problems 582

16-4a Pay around the World 582

16-4b Global Variable Pay 584

16-4c Compensation for International

Assignments 584

HR COMPETENCIES & APPLICATIONS: Variable Pay around the World 585

16-4d Employee Benefits around the World 585

16-5 Global Employee and Labor Relations 587

16-5a Unions in the Global Arena 587

16-5b International Union Issues 587

16-5c Global Labor Organizations 588

16-5d The United States and Global Differences 589

16-6 Global Talent Development 589

16-6a Global Assignment Training 589

16-6b Global Leadership Development 590

HR COMPETENCIES & APPLICATIONS: Assessing Cultural Competence 591

16-6c Global Career Concerns 592

Summary 593

Critical Thinking Challenges 593

Case: Winning at Carlsberg 594

APPENDIX A

Sample HR-Related Job Descriptions and Job Specifications 599

APPENDIX B

PHR® and SPHR® Exam Eligibility Requirements 601

APPENDIX C

Human Resource Management Resources 607

APPENDIX D

Major Federal Equal Employment Opportunity Laws and Regulations 611

APPENDIX E

Uniform Guidelines on Employee Selection 613

APPENDIX F

Pre-Employment Inquiries 617

APPENDIX G

Equal Employment Opportunity Enforcement 619

Glossary 623
Author Index 632
Subject Index 639

In comparing the sixteenth edition of *Human Resource Management* with the first edition, the evolution that has occurred in the HR field is very apparent. Because we have carefully researched and recorded the changes in this book, we are told it has become the leader in both the academic and professional segments of the market. The book is a longtime standard in HR classes, and the authors are very gratified that their efforts are appreciated by so many.

While developing this text, we paid close attention to presenting information at an appropriate reading level and length, using many practical examples, and offering other learning devices to make the book more "student friendly." It is also worth noting that the authors have all received teaching and/or research awards, which illustrates knowledge of what it takes to effectively communicate the latest HR information both orally and in written form.

Casual comments from colleagues reveal a lack of clarity about how one successfully revises a textbook in a field that changes as rapidly as Human Resources. There are many hundreds of articles in the academic and professional literatures that have appeared in the three years since our last book was researched. When business examples from the *Wall Street Journal*, *Bloomberg Businessweek*, *HR Magazine*, and other trade publications are added, the number is staggering. These articles, as well as the themes that appear in them, represent the changing nature of the subject matter in HR and supplement the overall knowledge of the field. Consequently, this information must be added to a university text that effectively summarizes key HR issues. This book has provided a comprehensive overview of the HR profession for many editions, and it has successfully done that again in this current edition. You can be confident it contains the most current content that reflects the current HR practices used in organizations.

The field of HR management is different from some other areas of business. There is a definite academic/research side that explores new theories and knowledge, but HR has a more professional/applied side as well. Just ask leaders who deal with HR issues on a daily basis. This text focuses on both sides of the HR field, which has resulted in the book being used by many individuals to prepare for certification in the HR profession. Our approach has always been that both perspectives are very important in understanding the field, and this strategy is continued in the sixteenth edition.

The Sixteenth Edition

HR takes place in an environment that changes rapidly and impacts practice, resulting in necessary changes to the book being recognized between editions. The sixteenth edition identifies these changes and explains how they are being managed in the field. A few of the most significant characteristics of the sixteenth edition are detailed next. This new edition also contains a number of other positive content attributes that have been carried forward from previous editions, and you will find them throughout the text.

Global Human Resource Management

Business is global in scope and practice, a reality that has dramatically changed the HR profession over the years. Offshoring, global mergers and acquisitions, and cultural differences represent some of the issues that HR departments face. The sixteenth edition includes a chapter dedicated exclusively to the global opportunities and challenges that exist within the field of HR. In addition, various global topics are investigated to provide additional coverage of international HR concerns in this textbook. Global material is highlighted with a "global" icon.

Compensation Chapter Consolidation

To more efficiently present topics related to essential compensation issues, we combined two previous chapters on pay into one more succinct chapter on compensation. This streamlined

xxi

approach to compensation focuses on the issues that are most likely relevant to the new HR practitioner or line manager.

"What's Trending" Chapter sections

Human resource management is a complex field, so highlighting all the current trends can be difficult. However, there are a number of issues that are currently affecting organizations, particularly with regard to how they manage people at work. Employees are expected to have the proper knowledge, skills, and abilities to perform in a workplace that has many challenges and new expectations, which requires organizations to implement practices that help employees get better at what they do and perform well. Each chapter provides an overview of the current trends pertaining to the particular topics explored.

HR Highlight Feature

A new HR Highlight feature appears in the sixteenth edition that explores topical HR issues in the profession. This feature focuses on generalized subject matter not specifically tied to companies, making the content different from the HR Perspective and HR Competencies & Applications features that have been mainstays in this textbook over many editions. The HR Highlight feature instead introduces specific topics that require concerted intervention on the part of HR professionals, as well as the development of sound organizational practices by HR departments.

HR Ethics

The study of ethics is emphasized in the academic business community, and HR is a fertile area for the practical application of ethics material. The potential for unethical dealings in compensation, staffing, Equal Employment Opportunity (EEO), and other areas is significant and problematic. At a minimum, investigation of these issues can provide a basis for discussion of HR ethics in the classroom, hopefully leading to greater consideration of ethical challenges in the HR profession. There is an HR "ethics" icon where HR ethics issues are covered.

Measuring HR Effectiveness, Strategy, and Leadership

The trend toward holding HR groups accountable for corporate performance has expanded, giving HR professionals a "seat at the strategic table." The days when HR managers could be successful because "they just love working with people" are long gone. HR leaders must be effective leaders who effectively shape the strategic direction of organizations. Benchmarking, metrics, and now analytics are a part of the analysis of how well HR is doing its job. The sixteenth edition uses a "metrics" icon to indicate where material on measuring HR is covered throughout the book. In addition, new "strategy" and "leadership" icons are included in various chapters to highlight where these topical areas are covered. Such attention to measurement, strategy, and leadership is welcome, as it documents how HR shapes and contributes to organizational goals in tangible ways.

Organization of the book

- Each chapter opens with a new "HR Headline" designed to introduce chapter material with a real company dilemma or problem. Learning objectives are provided at the beginning of each chapter.
- The latest trends and cutting-edge practices are highlighted at the beginning of each chapter in the "What's Trending" feature.
- Chapters contain a mix of four boxed features designed to convey different types of content: HR Perspective sections provide real examples of how companies deal with the issue covered. HR Competencies & Applications provide a "how to do it" view of the material based on key competencies identified in many professional models of HR. HR Ethics features highlight

PREFACE xxiii

- some of the ethical issues encountered in the profession. Finally, *HR Highlight* features navigate current issues in the field of HR.
- Each chapter ends with a point-by-point "Summary."
- The "Critical Thinking Challenges" at the end of each chapter provide questions and exercises that allow readers to apply what has been learned in each chapter.
- New in-depth end-of-chapter cases showcase HR innovations in current organizations and present readers with a chance to critically assess the effectiveness of innovative people practices.

Material is organized around five sections:

- The Environment of Human Resource Management
- Jobs and Labor
- Talent Development
- Compensation
- Employee Relations and Global Human Resource Management

This edition presents both the continuity and changes occurring within human resource management. The chapters in each section will be highlighted next, along with some of the topics explored in each chapter.

Section One: The Environment of Human Resource Management

Section One contains chapters emphasizing the changing environment in which HR operates, as well as how HR can effectively adapt. *Chapter 1* explains why HR is needed and how employees can function as key assets for an organization. Basic HR functions and current HR challenges are covered, and ethics and HR as a career field are discussed. Different HR competencies that are important in the profession are also explored in this edition. *Chapter 2* discusses two primary ways of dealing with the changing environment—strategy and HR planning. The strategic planning process and HR's role in it are covered. A process for conducting HR planning is identified, including environmental analysis, assessing internal and external labor markets, and managing imbalances. The chapter also covers HR metrics and analytics and presents benchmarking and balanced scorecard processes. Good and bad strategy distinctions, HR analytics, and the HR audit are among topics investigated. *Chapter 3* deals with the EEO environment, including legal requirements and concepts. This comprehensive chapter also investigates the challenges presented by EEO issues. Gender inequity in compensation, discrimination based on sexual orientation, and religious discrimination/accommodation are discussed.

Section Two: Jobs and Labor

Section Two looks at people, the jobs they do, and how to bring these two factors together for the purposes of accomplishing work requirements. Chapter 4 profiles the U.S. workforce participation rates and skills gaps, before turning to the nature of jobs, including job design and redesign, flexibility, telework, and work-life balance. The chapter then presents the most comprehensive coverage of job analysis available in a basic HR text. Treatment of the workforce is also covered, as is presentation of jobs and flexible work opportunities. Chapter 5 investigates the individual-organizational relationship and retention. Individual performance factors, including a very brief summary of the leading work motivation ideas and the psychological contract, are identified. Absenteeism and turnover, including measurement issues, are covered. The discussion then turns to retaining employees and the available management options for improving retention. The focus on individual performance factors is emphasized, as is employee engagement, loyalty, and drivers of retention for high-performing employees. *Chapter 6* considers labor markets and recruiting. Online recruiting and the other common recruiting methods are examined, and this information is followed by a comprehensive look at measuring the success of recruiting. Recruiting and employer ethics and the use of technology and social media in recruiting are expanded. Chapter 7 looks at placement, selection testing, interviewing, and background investigations, among other topics. The concept of person/environment fit as part of the selection and placement processes is also presented.

Section Three: Talent Development

Section Three considers bringing people along in their careers in organizations through training, talent management, and career and performance management. Chapter 8 explores different potential strategies for training in the organization. A comprehensive model of the training process leads ultimately to training delivery and evaluation. Issues associated with sales training, the expansion of e-learning (online training) and m-learning (using mobile devices) based on new research, and the increased use of simulation and games in training are also covered. Chapter 9 looks at talent management, leadership development, succession planning, and career issues, topics that have been very much in the literature since the last edition. This is reflected through the entire chapter, with special emphasis on integrating talent management into the organization's strategy and ideas for keeping high performers invested in their jobs. Chapter 10 considers identifying and measuring employee performance. Performance appraisal with all its pros and cons is covered, as well as hints for the appraisal interview. In this edition, various issues surrounding performance appraisal are reviewed, and the voluminous new literature in performance has been reviewed and integrated.

Section Four: Compensation

Section Four summarizes compensation, incentives, and benefits. *Chapter 11* introduces basic compensation, incentive pay programs, total rewards, and the development of a pay system. This edition covers strategic compensation decisions, linkage of pay to motivation theories, and current compensation challenges, including gender parity and variable pay options. *Chapter 12* explains the different types of benefits that organizations offer, as well as how to effectively administer and manage these benefits so that employees are satisfied. New or expanded content includes international benefits, the Patient Protection and Affordable Care Act, outsourcing benefit administration, and technology-driven, self-service benefits administration.

Section Five: Employee Relations and Global Human Resource Management

Section Five covers risk and safety, employee rights and responsibilities, unions, and global HR. *Chapter 13* looks at threats to the well-being of both organizations and employees. OSHA, legal requirements for well-being, safety management, and security concerns are specified. Expanded discussions of medical marijuana, counterproductive employee behaviors, and drug testing are provided. *Chapter 14* looks at rights existing in the employment agreement, including privacy rights, workplace monitoring, investigations, and discipline. This edition also covers alternative dispute-resolution techniques, as well as employee rights and ethical issues. *Chapter 15* evaluates the union-management relationship through labor laws, history, collective bargaining, and grievance management. Material on politics and unionization, changes in union membership, and union tactics is also presented. Finally, *Chapter 16* explores global issues in the HR profession. Particular emphasis is placed on the various opportunities and challenges that HR practitioners face when they manage others in international contexts.

Appendices

To keep the chapters sized appropriately, yet provide additional specific information, the book contains seven appendices. These provide HR job descriptions, details on the PHR® and SPHR® Bodies of Knowledge/competence for HR certification, HR literature, EEO laws, Uniform Guidelines, illegal preemployment inquires, and EEO enforcement.

Supplements

Instructor's Resource Website

The Instructor's Resource website puts all of the core resources in one place. The website contains the Instructor's Manual, Test Bank, and PowerPoint presentation slides.

PREFACE XXV

Instructor's Manual: The Instructor's Manual represents one of the most exciting and useful aids
available. Comprehensive teaching materials are provided for each chapter—including overviews;
outlines; instructor's notes; suggested answers to end-of-chapter Critical Thinking Challenges;
suggested questions for the "HR Headline," "HR Perspective," "HR Ethics," "HR Competencies
& Applications," and "HR Highlight" features; suggested answers to the end-of-chapter case
questions; and suggested questions and comments on the supplemental cases for each chapter.

- Cognero Test Bank: The test bank contains more than 1,600 questions, including multiple-choice, true/false, and essay questions. Questions are additionally identified by type—definition, application, and analytical—and also include AACSB tags for general (NATIONAL) and topic-specific (LOCAL) designations.
- *PowerPoint Slide Presentation*: The PowerPoint presentation contains approximately 400 slides to aid in class lectures.

MindTap

MindTap is the digital learning solution that helps instructors engage students and relate HR management concepts to their lives. Through interactive assignments, students connect HR management concepts to real-world organizations and say how managers should perform in given situations. Finally, all activities are designed to teach students to problem-solve and think like management leaders. Through these activities, real-time course analytics, and an accessible reader, MindTap helps you turn cookie cutter into cutting edge, apathy into engagement, and memorizers into higher-level thinkers.

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As the authors, we are confident the sixteenth edition of *Human Resource Management* will continue to set the standard for the Human Resource field. As the users of the text, we certainly hope you agree.

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CHAPTER 1

Human Resource Management in Organizations

CHAPTER 2

Human Resource Strategy and Planning

CHAPTER 3

Equal Employment Opportunity

The Environment of Human Resource Management

SECTION

Jobs and Labor 109

SECTION

The Environment of Human Resource Management 1

Talent Development 259 Compensation 371

Employee Relations and Global HRM 451

CHAPTER

Human Resource Management in Organizations

Learning Objectives

After you have read this chapter, you should be able to:

- LO1 Understand human resource management and define human capital.
- LO2 Identify how human resource management and employees can be core competencies for organizations.
- LO3 Name the seven categories of HR functions.
- LO4 Provide an overview of four challenges facing HR today.
- **LO5** Explain how ethical issues in organizations affect HR management.
- LO6 Explain the key competencies needed by HR professionals and why certification is important.

WHAT'S TRENDING IN **HUMAN RESOURCE MANAGEMENT**

There are a number of current HR trends that affect how companies manage people at work. Employees are expected to have the proper knowledge, skills, and abilities (KSAs) to perform in an environment that presents constant changes and new expectations. This requires HR professionals to be at the top of their game when it comes to developing policies that help people get better at what they do. Here are some issues that are currently trending in HR:

- 1. The rapidly changing workplace focuses HR efforts on the development of human capital factors that address organizational needs (e.g., productivity, customer service, quality, and innovation). Once employees are developed, they need to be placed in the proper jobs with positive work cultures that enable them to effectively use their talents.
- 2. Globalization and workforce diversity present a number of ways for individual differences to help companies. However, challenges associated with the proper placement of employees and the development of positive HR policies in diverse environments are common.
- 3. Technology is viewed as a key means to an end when it comes to managing human resources. Increased social media, online interactions, and the use of software to manage traditional HR functions can enhance how individuals interact with their employers, supervisors, and coworkers.
- 4. The importance of ethics policies, social responsibility, and sustainable practices has never been greater. Misconduct in organizations has raised the profile of organizational culture and sound HR practices to ensure appropriate workplace behavior. Developing an ethical culture, providing ethics training, and encouraging employees to report offenses are all ways that HR leaders can help improve business ethics.



Cool Commitment at Igloo

ost people would easily recognize the red and white Playmate coolers as the signature product of Igloo brand. What is not so obvious is the commitment of the employees who design and produce the Igloo line of products. Competitors in the industry can purchase the same technology used at Igloo and might be able to duplicate its process. But, Igloo achieves its competitive advantage through the contribution of its employees. Engagement surveys show that 93 percent of the company's associates believe that they do their best every day and are happy to learn new tasks. This is a remarkable result in light of national statistics showing that only 15 percent of employees are actively engaged with their work.

The CEO, Mark Parrish, has been intentional about creating an organization where all associates feel committed to a larger purpose. He adopted a servant leadership approach that focuses on building trust, withholding judgment, creating a dialogue, empowering employees, and instituting a culture of collective success. The company measures that collective success in four areas (in this order): people, quality, service, and cost. All financial and human capital decisions are based on those four measures. Parrish's belief is that building shareholder value is best achieved by creating an organization that is worthy of every employee's full commitment. He sees that building value for shareholders should not be done at the expense of building value for associates.

Supporting employees rather than asking employees to support those higher up results in committed employees who are dedicated to create a great experience for the customer. Igloo's chief HR officer plays an instrumental role in ensuring that diversity, wages, and training at the

company are all exemplary. The company pays well over minimum wage levels and provides the best employee benefits in the industry. More than that, however, is the company's commitment to training for each associate. Employees are trained, coached, and counseled to perform well in their current roles and to prepare for future job opportunities. Igloo commits to its employees, who return that commitment through their personal dedication to the company's success.¹



HEADLINE

Cool
Commitment at
Igloo 3



PERSPECTIVE

Transforming HR at Popeyes Louisiana Kitchen 6



COMPETENCIES & APPLICATIONS

Building Healthy Organizations 12



ETHICS

HR Keeps Organization on Straight and Narrow 23



iterimages/Getty Image

Employees are essential resources that organizations use to achieve important business objectives. Having talented individuals employed in a company is the cornerstone of developing a competitive advantage. Qualified and motivated employees are critical for an organization to compete on whatever distinctive core competencies are considered important in its industry (e.g., customer service, quality, and strategic planning).

By earning the reputation as good employers, companies can attract and retain productive, creative, and motivated people with competitive advantages to reach strategic goals. Finding knowledgeable and motivated employees, training them to perform critical jobs, rewarding them appropriately, giving them important work responsibilities, and providing them opportunities to succeed and earn recognition are but a few of the issues that an organization must address. But how does an employer create these policies and earn such a positive reputation? Most often, it is an HR department that develops and coordinates practices that enable people to make important contributions at work. However, these people management activities must also be carried out in small firms where an owner/founder may address these issues.

Utilizing sound HR practices can enhance an organization's reputation as a desirable place to work. A company must also look ahead and address emerging challenges and opportunities to ensure that employees are satisfied and perform their jobs at high levels. In particular, there is a need to understand the current trends that are occurring in the field of human resource management.

LO1 Understand human resource management and define human capital.

1-1 What Is Human Resource Management?

What is now called human resource management has evolved a great deal since its beginnings in the early twentieth century. What began as a primarily clerical function in larger companies concerned with payroll and employee records began to transform in response to social legislation of the 1960s and 1970s. *Personnel departments*, as they were then called, focused on the legal implications of policies and procedures affecting employees. In the 1990s, facing globalization and competition, human resource departments became more concerned with costs, planning, and the implications of various HR strategies for both organizations and their employees. More recently, human resource professionals in some companies have been involved with mergers and acquisitions, outsourcing, and managing technological advances in the workplace. Recent high-profile corporate scandals and unethical behavior are also requiring HR professionals to get more involved in programs that increase ethics, compliance, and social responsibility.²

Human resource management is designing formal systems in an organization to manage human talent for accomplishing organizational goals. Whether you work in a large company with 10,000 employees or a small nonprofit organization with 10 employees, employees must be recruited, selected, trained, rewarded, managed, and retained. Each of these activities requires knowledge about what works well given current employee concerns and company conditions. Research into these issues and the knowledge gained from successful approaches form the basis of effective HR management.

1-1a Why Organizations Need HR Management

Not every organization has an HR department. In a company with an owner and 10 employees, for example, the owner usually addresses HR issues. However, despite the obvious differences between large and small organizations, the same HR activities must take place in every firm. Luckily, *every* leader in an organization is an HR manager, so there are usually many people who can help address HR issues. Sales managers, head nurses, drafting supervisors, food and beverage directors, college deans, and accounting department supervisors all manage human resources, and their effectiveness depends in part on how well they understand and implement the principles of HR management.

It is unrealistic, however, to expect line managers to understand all the details of equal employment regulations, how to design a complex compensation system, or when to conduct a job analysis.

Human resource management

Designing formal systems in an organization to manage human talent for accomplishing organizational goals

Organizations that fail to properly manage employees are at greater risk of legal problems and employee relations issues.³ Therefore, the presence of an HR department and leaders who understand important HR issues can be helpful. For that reason, larger organizations frequently have people who specialize in these activities, and these professionals are organized into an HR function or department. While some firms have never employed HR professionals or have eliminated their HR departments, the recent trend has been to increase HR staff.⁴

There are many benefits associated with having a dedicated HR department. Firms that implement effective HR practices tend to have better outcomes such as higher profits, increased stock price, and greater productivity, than those that do not use such practices.⁵ HR professionals must respond appropriately to current business challenges and opportunities to help the organization succeed. Significant issues facing contemporary organizations include building the "organization of the future," delivering a superior employee experience, and capitalizing on diversity and inclusion. HR professionals can make a difference by implementing solutions to these challenges.⁶ Additional trends include a globalized workforce, greater age diversity, a focus on sustainability, and an emphasis on social media. HR leaders can address these issues by adopting an interdisciplinary business approach (e.g., working with marketing, operations, and finance staff), connecting with outside constituencies, identifying critical organizational challenges, and facilitating organizational change. HR professionals might also adapt HR processes to fit workplace changes, work more closely with IT personnel to manage technology, hire more high performers who have the right skills, and be innovation leaders.8 The following "HR Perspective: Transforming HR at Popeyes Louisiana Kitchen" feature highlights some of these emerging trends, as well as others.

Cooperation between operating managers and the HR department is also needed for HR efforts to succeed. In many cases, the HR department designs processes and systems that operating managers must help implement. The exact division of labor between the two varies from firm to firm. However, in the end, managing employees is a shared responsibility between HR staff and line managers with each group playing a key role. HR professionals contribute to line managers' effectiveness when they frame HR practices in appealing ways, involve line managers in the development of HR practices, and seek CEO support.⁹

How Human Resource Management Is Sometimes Seen in Organizations

HR departments have been viewed both positively and negatively by managers and employees. HR management is necessary, especially when dealing with the many government regulations enacted over the past several decades. However, the need to protect corporate assets against the many legal issues often makes the HR function play a different role, which may be seen as negative, restrictive, and not focused on getting work done.

The legal compliance role can cause other people to have negative views of HR staff. The negative perception that some employees, managers, and executives have is that HR departments are too bureaucratic, detail oriented, and costly, and that they are comprised of naysayers. Some managers also believe that HR departments reduce innovation and negatively impact the ability to complete work because of poorly executed programs. The trend toward outsourcing many HR activities also fuels the belief that HR support is not really needed. Further, HR staff are sometimes seen as lacking in business acumen by line managers. In some organizations, HR is seen as owning employee morale and fun, which leads to difficulties when employees have serious issues to report and need to deal with a professional in whom they can confide. Despite such concerns, the HR function can benefit the workplace if it is managed well.

Human Resources in Smaller Organizations In the United States and worldwide, small businesses employ more than half of all private-sector employees and generate many new jobs each year. In surveys over several years by the U.S. Small Business Administration (SBA), the issues identified as significant concerns in small organizations were consistent: not having enough qualified workers, the rapidly increasing costs of employee benefits, payroll taxes, and compliance with government regulations. Notice that all these concerns have an HR focus, especially when compliance

with wage/hour, safety, equal employment, and other regulations are considered. This is why some degree of HR support and expertise is always needed in smaller organizations. Recent studies have shown that small- and medium-sized enterprises that use formal HR practices tend to perform better than competitors. Therefore, HR practices can be one determinant of company success in large and small firms.

When new employees are hired in a small business, line managers usually do the recruiting, selecting, and orienting. These HR activities, however, reduce the amount of time managers have available to focus on their regular jobs. As a result, when such activities occur frequently, hiring someone to do them allows managers to spend more time on their primary duties. With about 80 to 100 employees, smaller organizations often find that they would benefit from designating someone to specialize in HR practices. Other specialist HR positions are added (e.g., in compensation, training, or recruiting) as the company grows larger. The need for HR increases as an organization grows until it evolves into a distinct function with specialists assigned to specific duties. For HR to be most useful, it must remain closely connected to the operating management of the organization. Without that connection, HR functions cannot reach their potential.



Transforming HR at Popeyes Louisiana Kitchen

Evidence shows that HR departments have grown, with more money being dedicated to corporate HR efforts. However, changing work environments are challenging HR professionals to do more, even though their numbers and support have steadily risen. People employed in HR have much more responsibility in today's workplace, something that likely won't change as expectations have increased.

This is the case at the Atlanta-based fast-food firm Popeyes Louisiana Kitchen. While the organization's HR group grew from 7 to 10 individuals over several years, the work also increased. The group manages as many as three times the number of issues it did in the past. Some of these include creating leadership development opportunities, enhancing customer service, and building food outlets. Popeyes focuses on *servant leadership*, which requires leaders to believe that the needs of the company and employees outweigh their own concerns. Further, the HR team works to ensure that HR can address issues through a strategic lens. All of these responsibilities take time and energy.

Many HR functions at Popeye's are being altered as the workplace changes. Besides being

more focused on strategy, HR staff at Popeyes work on cross-functional project teams, and the HR function is structured so that each business area has a dedicated HR professional who operates as an advisor on various personnel issues. This enables staff to be more strategic because they work directly with the business units. HR leaders also look to redesign HR processes to improve HR's efficiency so that more might be done with fewer people. ¹³

Despite the growing need for HR personnel, the ability to manage the increasing number of HR responsibilities with current staff is a challenge. Expectations are higher, regardless of how many HR professionals are present. Consider the following questions:

- 1. Given the issues at Popeyes, how would you redesign an HR department in any organization to better tackle a company's needs?
- 2. How might HR processes be redesigned to become more efficient? What technologies might be used to improve HR processes and provide better service to managers and employees?

LO2 Identify how human resource management and employees can be core competencies for organizations.

Core competency

A unique capability that creates high value for a company

1-2 Managing Human Resources in Organizations

Human resources (or more simply, people) who work in organizations may have valuable contributions they can make to a firm's mission based on their human capital. But this will occur only if they are motivated and given a reasonable opportunity to contribute. Employees must be placed into the right job, trained, rewarded, and given feedback if they are to perform at high levels. These key HR activities are often a joint effort between the organization's managers and HR staff members. Managing people ultimately reflects the decisions these leaders make from among the wide range of possible choices on the formal policies, practices, and methods for managing employees. Examples of such systems and policies are pay system design, performance measurement, training programs, and hiring processes. People-related costs are typically the single biggest controllable cost in an organization. ¹⁴ This means that managing HR activities is a major priority for all managers.

1-2a Human Resource Management as a Core Competency

Developing and implementing business strategies must be based on an organization's areas of strength. Referred to as *core competencies*, those strengths are the foundation for creating the organization's competitive advantage. A **core competency** is a unique capability that creates high value for a company.

Certainly, many organizations have identified that their HR practices differentiate them from their competitors and that HR is a key determinant of competitive advantage. Recognizing this, organizations as diverse as Walt Disney Company, Apple, and Comcast have focused on people as having special strategic value for the organization.¹⁵

The same can be true with small companies as well. For example, small community banks have gained numerous small- and medium-sized commercial loan customers because the banks emphasize that their customers can deal with the same employees directly every time they need help rather than having to call an automated service center in another state as is sometimes the case with larger nationwide banks. The focus here is on using people (in this example, loan officers) to help build core competencies in companies.

1-2b Employees as a Core Competency

How might employees become a core competency for an organization? Employees, especially those in customer-facing positions, are the vital link to the organization's external customers. They can be a source of innovation and service that enhances the customer's experience and lead to greater customer loyalty. ¹⁶ This is particularly true in service organizations where the customer wants a personal experience and will return if treated well.

Human Capital Organizations must manage four types of assets to be successful (see Figure 1-1):

- Physical assets: Buildings, land, furniture, computers, vehicles, equipment, and so on
- Financial assets: Cash, financial resources, stocks, bonds or debt, and so on
- *Intellectual property assets*: Specialized research capabilities, patents, information systems, designs, operating processes, copyrights, and so on
- *Human assets*: Individuals with their talents, capabilities, experience, professional expertise, relationships, and so on

All of these assets are important to varying degrees in different firms. But the human assets are the "glue" that holds all the other parts together to achieve results. Certainly, the assembly line workers, quality inspectors, and design engineers in an automotive company or the admissions clerks, nurses, and dietary staff at a hospital enable all the other assets of their organizations to be used

Intellectual Property

Organizational Assets

Human

Financial

FIGURE 1-1 Four Types of Organizational Assets

Human capital

The collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organization's workforce

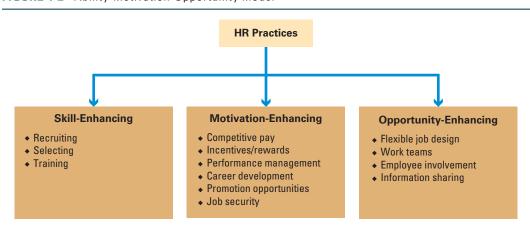
to provide products and services to customers. Effective use of the firm's human capital can often explain a big part of the differences in company success.

Human capital is not just the people in organizations—it also involves what individuals contribute to organizational achievements. Broadly defined, **human capital** is the collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organization's workforce. It is important that workers have both the necessary competence plus the desire to perform effectively.

A useful framework to understand how HR practices serve as the foundation for human capital is called the *ability-motivation-opportunity (AMO) model*.¹⁷ The AMO model involves HR practices that lead to greater skill, greater motivation, and greater opportunity for workers to contribute to the organization. Figure 1-2 provides details on skill-enhancing practices (hiring and training), motivation-enhancing practices (pay and promotions), and opportunity-enhancing practices (sharing information and working in teams) that may be used to increase the level of human capital. HR practices in high-performing organizations often focus on these elements of the employee experience to enhance the employees' sense of competence and dedication to the organizational goals.¹⁸

Sometimes human capital is called *intellectual capital* to reflect the thinking, knowledge, creativity, and decision making that people in organizations contribute. For example, firms with high intellectual capital may have highly educated and trained managers who develop new ways of

FIGURE 1-2 Ability-Motivation-Opportunity Model



supervising employees, new business processes that improve quality, or new software for specialized uses. All of these contributions illustrate the potential value of human capital to companies. There are many other possible areas in which employees can be core competencies for organizations. For example, productivity, customer service and quality, innovation, and organizational culture represent several of these areas.



Productivity

Measure of the quantity and quality of work done, considering the cost of the resources used

Unit labor cost

Computed by dividing the average cost of workers by their average levels of output

Productivity Employee productivity can be a competitive advantage because when the costs to produce goods and services are lowered through increased individual production, lower prices can be charged to consumers. The result is often incremental increases in sales. However, increased productivity does not necessarily mean greater output. Perhaps fewer people (or less money and/or time) are used to produce the same amount. In its most basic sense, **productivity** is a measure of the quantity and quality of work done, considering the cost of the resources used.

A useful way to measure the productivity of human resources is to consider unit labor cost, which is computed by dividing the average cost of workers by their average levels of output. Using unit labor costs, one can see that relatively high wages will not affect competitiveness if high productivity levels are achieved. Low unit labor costs can be a basis for a strategy focusing on human resource competency. Productivity and unit labor costs can be evaluated at the global, country, organizational, departmental, or individual level.

Improving Productivity Organizational-level productivity ultimately affects profitability and competitiveness in a for-profit organization and total costs in a not-for-profit organization. Perhaps of all the resources used in organizations, the ones most closely scrutinized are human resources. Despite the rapid increase in technology at work, U.S. worker productivity is not growing as it has historically. The use of poor business approaches such as bureaucratic policies, poorly managed meetings, and low teamwork and collaboration can cause much of this decreased productivity (something called *coordination waste*). Focusing less on efficiency and perfection and more on making a difference for customers and finding creative solutions may lead to gains in organization productivity measures.²⁰

Additional HR management efforts that can enhance productivity are detailed in Figure 1-3. Among the major ways to increase employee productivity are

- Organizational restructuring, which involves eliminating layers of management and changing reporting relationships as well as cutting staff through downsizing, layoffs, and early retirement buyout programs;
- *Redesigning work*, which often involves making changes to the way work gets done by focusing on the characteristics of jobs and altering how tasks are structured and coordinated;
- Aligning HR activities, which means ensuring that HR efforts and practices are consistent with
 organizational efforts to improve productivity and satisfy strategic goals; and
- Outsourcing analyses, which require the HR department to conduct cost-benefit assessments
 that indicate the overall positive or negative impact of outsourcing—HR then manages outsourcing efforts if they occur.

Customer Service and Quality In addition to productivity, both customer service and quality efforts can significantly affect organizational effectiveness, making them key areas that HR can emphasize when developing employees as core competencies. Having managers and employees focus on customers' needs contributes significantly to achieving organizational goals and maintaining a competitive advantage.

Customer satisfaction is still a challenge in the United States and other countries, and it must be managed. The availability of information that customers can obtain along with the ability to publicly report on a service experience via social media heighten the importance of managing customer service interactions. Customer-facing employees who work in organizations with ethical climates maintain higher proactive customer service performance levels.²¹ This demonstrates one aspect of HR involvement that can link employee behavior with improved customer service.

Organization Restructuring Redesigning Work Revising organizational structure Changing workloads and combining · Reducing staff Aiding in mergers and acquisitions Reshaping jobs because of technology changes Goals Increase organizational productivity Reduce unit labor costs **Aligning HR Activities Outsourcing Analysis** Attracting and retaining employees Using domestic vendors/contractors · Training, developing, and evaluating instead of employees employees Outsourcing operations · Compensating employees and other internationally HR activities

FIGURE 1-3 HR Approaches to Improving Productivity

Delivering quality services and/or products can also impact organizational effectiveness. Whether producing automobiles, as General Motors and Toyota do, or providing cellular phone service, as Verizon and AT&T do, a firm must consider how well its products and services meet customer needs. Therefore, many organizations have emphasized efforts to enhance quality. Employees who produce products or services must have good training and proper motivation to create high-quality output. A recent study found that beyond the quality improvements produced by using technical solutions, it was employee behaviors that most significantly improved quality.²² Therefore, attempts to improve quality should focus on both technical and human resource solutions.

Innovation Organizations constantly look for new ways to produce novel products for their customers or identify ways to improve internal processes. **Innovation** is the process whereby new ideas are generated that create value for an organization. Clearly, the majority of innovation within an organization comes from its employees who are most knowledgeable about how things are done and what customers desire.

Skill-enhancing practices such as recruiting and selecting appropriate talent using pre-hire skill testing leads to more innovation.²³ Training, particularly on-the-job training, is another important HR function that can significantly impact the level of innovation in a firm. In addition to training individual employees, sharing knowledge among employees also fosters greater innovation and leads to more new product and service ideas.²⁴

Organizational Culture Another important element of the workplace that drives the ability to use human resources as core competencies to meet strategic objectives is organizational culture. **Organizational culture** consists of the shared values and beliefs that give members of an organization meaning and provide them with rules for behavior. These values are deeply embedded in organizations and affect how their members view themselves, define opportunities, and plan strategies.

Innovation

Process whereby new ideas are generated that create value for an organization

Organizational culture

Consists of the shared values and beliefs that give members of an organization meaning and provide them with rules for behavior

In this sense, such a culture establishes the personality of a company in a similar way that personality shapes an individual, shaping its members' responses and defining what an organization can or is willing to do. The culture of an organization is, therefore, seen by employees in the norms, values, philosophies, rituals, and symbols adopted by the firm. Culture is particularly important because it tells individuals how to behave (or not to behave) in the workplace.

Culture often requires considerable time to develop, but once it is established, it is relatively constant and enduring over time. Newcomers learn the culture from senior employees, and the rules of behavior are, therefore, perpetuated. These rules are ideally beneficial, so culture can facilitate high employee job performance when it contains positive characteristics. But culture can also be negative, which means changes need to be made to improve the workplace.

Before focusing on the development and implementation of HR policies, managers should develop a positive culture within the organization. When they do so, excellent ideas can be enhanced by a culture that is compatible with the needs of the business. This is how culture can be used to create a competitive advantage.

Organizational culture is often viewed by employees, managers, customers, and others as the social environment that exists within a firm and that affects how a firm gets work done. This culture affects service and quality, organizational productivity, and financial results. From a critical perspective, it is the culture of a company that affects the attraction and retention of competent employees. Aligning the culture with what management is trying to accomplish also determines the health of an organization by creating an environment that capitalizes on human capital strengths. The following "HR Competencies & Applications: Building Healthy Organizations" feature discusses how culture can be enhanced by focusing on organizational health.

LO3 Name the seven categories of HR functions.

1-3 HR Management Functions

HR management involves designing the *formal systems* that are used to manage people in an organization. Usually, both HR managers and line managers provide input into the policies, regulations, and rules that guide HR matters. For example, consider the question of how many days of vacation an employee receives after three years of service. There is no "right" answer for a given organization that is trying to devise a vacation policy, but the vacation policy that is finally designed is one of the formal systems used to manage people in the organization. Such systems need to be formal, that is, agreed upon, written down, and shared with employees. Try to picture the chaos that would result if every supervisor in a very large company could set his or her own vacation policy!

The HR function is typically categorized into seven interlocking subfunctions as shown in Figure 1-4. In each organization, these functions are carried out in that firm's unique format that is influenced by internal and external forces. The seven HR functions are as follows:

- Strategy and planning
- Equal employment opportunity
- Talent acquisition
- Talent management
- Total rewards
- Risk management and worker protection
- Employee and labor relations

Each of these functions consists of several areas (which are covered in the forthcoming chapters of this book) as follows:

- HR strategy and planning: As part of achieving organizational competitiveness, strategic planning
 for the organization and HR's role in those strategic plans are good starting places. Anticipating
 future talent needs and preparing plans to address those needs is a vital task for HR. How well HR
 does what it plans to do is measured by HR metrics and analytics, which are covered in Chapter 2.
- Equal employment opportunity: Compliance with federal, state, and even local equal employment opportunity (EEO) laws and regulations affects all other HR activities. Instituting



Building Healthy Organizations

Companies like Southwest Airlines, Zappos.com, and Nordstrom have been successful because they rely on sound technology and business strategy. However, "organizational health" often drives employee motivation and customer loyalty. Organizational health is much broader than corporate culture because it establishes the workplace in which other business functions can operate well. In other words, healthy organizations create a positive workplace that keeps employees satisfied and committed. Low political behavior and turnover, high cohesion and morale, and a more unified sense of purpose are often characteristics of this environment.

A firm's HR department and top managers are keys to making companies healthier. HR professionals function as leaders by developing good policies that make the workplace more positive. This often includes management development, performance feedback, and fair rewards. They also act as advisors to top leaders and provide a sounding board for the CEO. The CEO often pushes the idea that organizational health is an important issue. The following approaches should help managers lead efforts to create healthy cultures:

 Developing a positive leadership unit: Put together a group of leaders who trust each

- other and who can develop a positive way of interacting.
- Creating alignment around a common purpose: The leadership team should identify and agree on the company's mission, vision, and goals for success.
- Communicating the company's approach:
 Once a purpose is established, it needs to be discussed frequently with employees to unify them and build a common understanding of the workplace.
- Using HR practices to support the workplace: All of the traditional HR functions should be utilized to create alignment around the purpose.²⁵

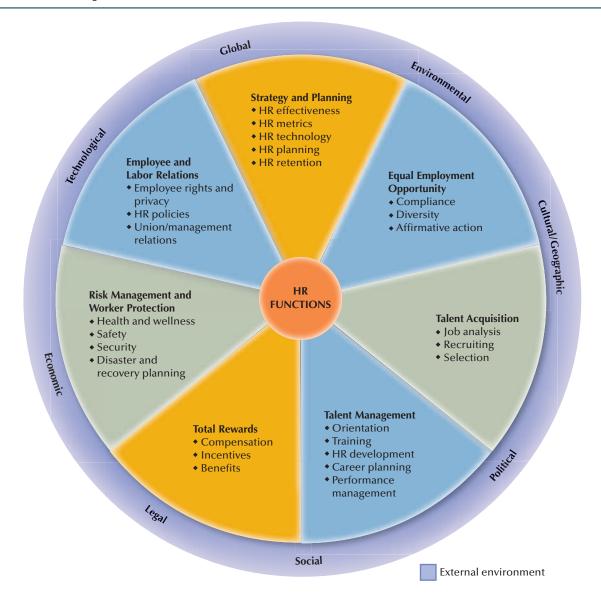
The ability to develop healthy organizations and business cultures is a key leadership competency within the HR profession. If you were given the responsibility of improving your firm's health:

- **1.** How would you determine the current state of the organization's health?
- 2. What are some of the talking points you might use to encourage top leaders to invest in HR efforts that would improve the health of the organization? What evidence would you point out to show the value of having a healthy organization?

KEY COMPETENCIES: Leadership & Navigation (Behavioral Competency) and Organization (Technical Competency)

- effective diversity and inclusion initiatives will help the organization maintain a robust workforce. The nature of these laws is discussed in Chapter 3.
- *Talent acquisition*: The aim of talent acquisition is to provide a sufficient supply of qualified individuals to fill jobs in an organization. The nature of the workforce, of job design, and of job analysis lays the foundation for talent acquisition by identifying how people work and the qualities needed to succeed. Establishing a positive employer brand and employee value proposition are keys to becoming an attractive employer. Recruiting efforts focus on generating a pool of qualified applicants from which to select. The selection process is focused on choosing qualified individuals to fill those jobs. These talent acquisition activities are discussed in Chapters 4, 5, 6, and 7.
- Talent management and development: Beginning with the orientation of new employees, talent management and development includes different types of training. HR development and succession planning for employees and managers are necessary to prepare for future challenges.

FIGURE 1-4 HR Management Functions



Career planning identifies paths and activities for individual employees as they move within the organization. Assessing how well employees are performing their jobs is the focus of performance management. Activities associated with talent management are examined in Chapters 8, 9, and 10.

- Total rewards: Tangible and intangible rewards such as pay, incentives, and benefits create the value proposition to keep employees engaged and motivated. To be competitive, employers develop and refine their basic compensation systems and may use variable pay programs as incentive rewards. The rapid increase in the cost of benefits, especially health care benefits, will continue to be a major issue for most employers. Compensation, variable pay, and benefits activities are discussed in Chapters 11 and 12.
- Risk management and worker protection: Employers must address various workplace risks to
 ensure workers are protected, meet legal requirements, and respond to concerns for workplace
 health and safety. Also, workplace security has grown in importance along with disaster and
 recovery planning. HR's roles in activities are examined in Chapter 13.
- *Employee and labor relations*: The relationship between managers and their employees must be handled legally and effectively. Employer and employee rights must be addressed. It is

important to develop, communicate, and update HR policies and procedures so that managers and employees alike know what is expected. In some organizations, union–management relations must be addressed as well. Activities associated with employee rights and labor–management relations are discussed in Chapters 14 and 15.

These various HR management functions are translated into the daily activities of the HR department if such a group exists in an organization. Operating managers typically perform these activities if a company does not have an HR department.

In addition to the specific subfunctions, HR practices in a global organization pose specific challenges to organization leaders. The complexities of managing employees across borders call for special attention that is addressed in Chapter 16.

1-4 Roles for Human Resource Departments

If an organization has a formal HR department or group, there are typically three different roles these individuals might play in the organization. Which role dominates, or whether all three roles are performed, depends on what management expects from HR and what competencies the HR staff members possess. The potential mix of roles is shown in Figure 1-5, that is, how the emphasis on the different roles has been evolving. The following describes these roles in more depth:

- Administrative: Focusing on clerical administration and recordkeeping, including essential legal paperwork and policy implementation
- Operational and employee advocate: Managing HR activities based on the strategies and operations that have been identified by management and serving as "champion" for employee issues and concerns
- Strategic: Helping define and implement the business strategy relative to human capital and its
 contribution to the organization's results

While the administrative role has traditionally been the dominant one for HR, the operational and employee advocate roles are increasingly being emphasized in many organizations. The strategic role requires the ability and focus to contribute to strategic decisions and to be recognized by upper management for these efforts. This practice is likely to grow as firms expect HR groups to be involved in the strategic planning process and to prepare employees to be more strategic. HR staff should understand the business so that their strategies match its needs.

PAST

Strategic

Operational/
Employee Advocate

Administrative

FIGURE 1-5 Mix of Roles for HR Departments

1-4a Administrative Role for Human Resources

The administrative role of HR management involves processing information and recordkeeping. This role has given HR management in some organizations the reputation of being "paper-pushers" who primarily fill out forms and tell managers and employees what *cannot* be done, usually because of some policy or problem from the past. If limited to the administrative role, HR staff members are often clerical and lower-level administrative aides to the organization. Two major shifts driving the transformation of the administrative role are greater use of technology and outsourcing.

Technology and the Administrative Role More HR functions are being performed electronically or done using web-based technology. Technology has changed many HR activities, from employment applications and employee benefits enrollment to e-learning. There will always be a recordkeeping responsibility within HR departments, but it can now be done electronically or outsourced. Having employees manage their own records also increases the accuracy of the records.

Outsourcing the Administrative Role Some HR administrative functions can be outsourced to vendors. This outsourcing of HR administrative activities has grown dramatically in areas such as employee assistance (counseling), retirement planning, benefits administration, payroll services, and outplacement services. The primary reasons HR functions are outsourced are to save money on HR staffing and to take advantage of specialized vendor expertise and technology. A growing trend among companies that outsource HR functions is to evaluate the quality and effectiveness of the services provided and base the amounts paid to vendors on these assessments.²⁶

1-4b Operational and Employee Advocate Role for Human Resources

HR personnel are often viewed as employee advocates because they must effectively balance the needs of employees with the needs of organizations. As the voice for employee concerns, HR professionals may serve as "company morale officers," but they spend considerable time on HR "crisis management" when dealing with employee problems that are related to work. Employee advocacy helps ensure fair and equitable treatment for employees regardless of personal background or circumstances. Despite these benefits, the HR advocate role sometimes creates conflict with operating managers because there may be differences of opinion about how to manage employees. However, without the HR advocate role, employers could face lawsuits, regulatory complaints, and employees with poor work attitudes.

The operational role requires the HR function to cooperate with various managers and identify and implement needed programs and policies in the organization. Operational activities are tactical in nature because they affect how work gets done. Compliance with EEO and other laws is ensured, employment applications are processed, current openings are filled through interviews, supervisors are trained, safety problems are resolved, and wage and benefit questions are answered. HR staff must make certain that these efforts support the strategies of the organization.

1-4c Strategic Role for Human Resources

The strategic role for HR involves addressing business realities, focusing on future business requirements, and understanding how the management of human capital fits into the organization's plans. The HR department may or may not assist directly in the formulation of business strategies, but it often helps carry them out. However, HR managers are increasingly viewed as strategic contributors to the success of organizations. The role of HR as a *strategic business partner* is often described as "having a seat at the table" and contributing to the strategic direction and success of the organization. That means HR is involved in *devising* and *implementing* strategy.

When top managers recognize the strategic connection between HR initiatives and organization results, they are more likely to invest in progressive HR practices.²⁷ HR staff that adopt a

strategic role are better able to demonstrate this linkage and achieve buy-in from leadership to adopt HR practices that will sustain the organization over the long term rather than focusing only on short-term people issues. To serve in the role of strategic partner, HR staff should have a broad business focus to help companies reach their strategic goals.²⁸

HR can make strategic contributions in a number of areas. For instance, HR should identify the kinds of talent needed in the future and create links to appropriate labor markets. Building knowledge within the organization to ensure sustainable growth, succession planning, facilitating business ventures, and ensuring top-notch compliance programs are other key ways for HR staff to participate in strategic planning.²⁹ HR should also know what the true costs of human capital are for an employer. Turnover is something HR can help control, and successful retention and talent management strategies that the department develops and that save a company money represent important contributions to the bottom line.

Some other examples of areas where HR can make strategic contributions are

- Evaluating mergers and acquisitions for organizational compatibility, potential structural changes, and future staffing needs;
- Conducting workforce planning to anticipate the retirement of employees at all levels and identify workforce expansion in organizational strategic plans;
- Leading site selection efforts for new facilities or transferring operations to international locations on the basis of workforce needs;
- Instituting HR management systems to reduce administrative time, equipment, and staff costs with technology;
- · Working with organization leaders to change organizational culture; and
- Identifying organizational training opportunities that will more than pay back the costs.

LO4 Provide an overview of four challenges facing HR today.

1-5 Human Resources Management Challenges

As the field of HR management evolves, a challenging employment environment creates pressure for greater and faster change. These issues are often driven by competitive factors that exist in an industry and that require the HR group to respond with positive practices to enable the organization to remain competitive. Challenges are also embedded in economic forces that lead to cost pressures and job changes, globalization, changes in the workforce, and technology advancement.³⁰

Global competitors, technology changes, and cost concerns are also reflected in changing jobs. As work must be done differently, jobs must sometimes be changed or downsized. Jobs are seldom static; rather, they change and evolve as the organization changes. The following sections discuss these various challenges.

1-5a Competition, Cost Pressures, and Restructuring

Competition keeps pressure on businesses to maintain low costs so that prices will not become excessive, which can result in lost customers. An overriding theme facing managers and organizations is the need to operate in a "cost-less" mode, which means continually looking for ways to reduce costs of all types, including financial, operational, equipment, and labor expenses. Pressure from global competitors has forced many U.S. firms to close facilities, use international outsourcing, change management practices, increase productivity, and decrease labor costs to become more competitive. These shifts have caused some organizations to reduce the number of employees while at the same time scrambling to attract and retain employees with different capabilities than were previously needed.

The human costs associated with downsizing have resulted in increased workloads, some loss of employee loyalty, and turnover among remaining employees. Shifts in the United States and global economy in the past years have changed the number and types of jobs found in the United States. Many of the jobs to be filled in the next several years will be in the service industry rather than in the manufacturing sector. Outsourcing has been a high-growth industry with 5 of the top 20 global employers operating workforce solutions companies.³¹

Job Shifts The growth in some jobs and decline in others illustrate that shifts are indeed occurring. Figure 1-6 lists occupations that are expected to experience the greatest growth in percentage and numbers by 2026. Many of the fastest-growing occupations percentage-wise are related to sustainable energy and health care. However, the highest growing numbers of jobs require either a low level of education (home health aides and personal care aides) or a significant level of education (software developers). This will lead to some strains in the labor market as organizations seek to fill these particular types of jobs.

Overall, the job market is improving, with more companies looking to hire workers. There is increased demand for skilled employees as well as for freelance professionals (those who perform

FIGURE 1-6 Some of the Fastest Growing Occupations by 2026

Occupation	Change, 2016–2026	
	Number	Percent
Solar photovoltaic installers	11,900	105.3
Wind turbine service technicians	5,500	96.1
Home health aides	425,600	46.7
Personal care aides	754,000	37.4
Physician assistants	39,700	37.4
Nurse practitioners	56,000	36.0
Statisticians	12,400	33.4
Physical therapist assistants	27,200	30.8
Software developers, applications	253,400	30.5
Mathematicians	900	29.4
Bicycle repairers	3,700	29.4
Medical assistants	184,600	29.1
Physical therapist aides	15,100	29.1
Occupational therapy assistants	11,400	28.9
Information security analysts	28,400	28.4
Genetic counselors	900	28.3
Operations research analysts	31,300	27.4
Forest fire inspectors and prevention specialists	500	26.6
Health specialties teachers, postsecondary	60,500	25.9
Derrick operators, oil and gas	2,800	25.7
Physical therapists	60,000	25.0
Occupational therapy aides	1,800	24.7
Roustabouts, oil and gas	12,200	24.5
Phlebotomists	30,000	24.4
Rotary drill operators, oil and gas	4,000	24.2
Nursing instructors and teachers, postsecondary	16,300	24.0
Massage therapists	37,700	23.5
Service unit operators, oil, gas, and mining	9,700	23.4
Respiratory therapists	30,400	23.4
Diagnostic medical sonographers	15,600	23.2

Source: Employment Projections Program, U.S. Department of Labor, U.S. Bureau of Labor Statistics, www.bls.gov.

Gig economy

An economy where most work is performed by freelance workers rather than full-time employees work on a contract basis) because of their unique training, experiences, and backgrounds.³² Participation in the **gig economy**, an economy where most work is performed by freelance workers rather than full-time employees, has been growing dramatically. From Lyft and Uber drivers to Airbnb hosts, a substantial number of U.S. workers either supplement full-time earnings through these "gigs" or cobble together multiple "gigs" to earn enough.³³ This trend toward free agency offers both challenges and benefits to employers. HR staff may need to consider training and other techniques to build a strong gig workforce that can supplement the full-time employment base.³⁴

Skills Shortages Various regions of the United States and different industries face significant workforce shortages because of an inadequate supply of workers with the skills needed to perform emerging jobs. It may not be that there are too few people—only that there are too few with many of the required skills. For instance, some of the most difficult jobs to fill include engineers, nurses, technicians, sales representatives, and certain teachers. Positions that require high skills and experience in a trade have been particularly difficult to fill in some cities, for example, Philadelphia, Dallas, Cleveland, and New York. Many of these shortages are leading to increased compensation to attract good employees.³⁵ It has become more critical for employees to maintain up-to-date skills if they want to remain marketable and obtain work where opportunities are available. Partnering with local community colleges, offering English language classes to employees, and creating apprenticeship programs are all approaches employers are using to increase the workforce skills in their regions.³⁶

Even though many Americans today graduate from high school and college, employers are concerned about new graduates' job readiness and specific job-related skills. Test results show that students in the United States perform respectably overall in math and science but well below students in some other competitive nations. Also, college graduates with degrees in computer science, engineering, and the health sciences remain in short supply relative to the demand for them. Unless major improvements are made to the U.S. educational systems, U.S. employers will be unable to find enough qualified workers for the growing number of skilled jobs.



1-5b Globalization

The globalization of business has shifted from trade and investment to the integration of global operations, management, and strategic alliances, which has significantly affected how human resources are managed. Many U.S. firms, both large and small, generate a substantial portion of their sales and profits from other countries; firms such as Coca-Cola, Exxon/Mobil, Microsoft, and General Electric derive a significant portion of total sales and profits from outside the United States. Research suggests that about 400 midsized cities in emerging markets will generate 40 percent of global growth in the next 15 years; many of these cities are relatively unknown in the West.³⁷ However, many foreign organizations have taken advantage of growth opportunities in the United States. For example, Toyota, based in Japan, has grown its market share and increased its number of jobs in the United States and elsewhere in North America. Also, Honda, Nissan, and other Japanese automobile manufacturers, electronics firms, and suppliers have maintained operations in the United States.

Although individual companies do not respond to all HR challenges in exactly the same way, research suggests that all must face and overcome a common set of difficulties when an organization has a global presence.³⁸ The areas of difficulties are as follows:

- *Strategy*: Companies feel they do not communicate their strategy clearly, finding it difficult to be flexible as they expand to other markets.
- People: Executives feel their companies are not good at transferring lessons from one country to
 another and are not sufficiently effective at recruiting, retaining, training, and developing people in all geographic locations.
- Complexity: Complexity arises as standardization of processes clashes with local needs, and sharing the cost of distant centers increases the expense of local operations.
- *Risk*: Emerging market opportunities expose companies to unfamiliar risks that may be difficult to analyze, which results in sometimes rejecting approaches they perhaps should have taken.

Details about how HR practices can be designed and implemented in international organizations are presented in Chapter 16. Other challenges include developing corporate leaders, retaining employee talent, and building needed skills in HR groups.³⁹ While technology-based solutions may be used to simplify some HR functions across the globe, an overreliance on technology can result in employees and managers feeling isolated and distant.⁴⁰ Therefore, care should be taken to balance technology and more personal ways to work with employees in multinational operations.

1-5c A Changing Workforce

Chapter 4 will present a more comprehensive profile of the workforce, but the following text will introduce some workforce changes that present challenges for human resources. The U.S. workforce today is more racially and ethnically diverse, more women are employed than ever before, and the average age of its members is increasing. As a result of these demographic shifts, HR management in organizations has had to adapt to a more varied labor force both externally and internally.

Racial and Ethnic Diversity Racial and ethnic minorities such as Hispanics and African Americans account for a growing percentage of the overall labor force. Immigrants will continue to expand that growth. An increasing number of individuals characterize themselves as *multiracial*, suggesting that the American "melting pot" is blurring racial and ethnic identities.

Racial and ethnic differences have also created greater cultural diversity because of the accompanying differences in traditions, languages, and so on. For example, global events have increased employers' attention to individuals who have diverse religious beliefs, and more awareness of and accommodation for various religious practices have become common issues in organizations.

Gender in the Workforce Women constitute about 50 percent of the U.S. workforce, but they may be a majority in certain occupations. For instance, the membership of HR professionals in the Society for Human Resource Management (SHRM) is more than 75 percent female. Additionally, numerous female workers are single, separated, divorced, or widowed and are primary income earners in a household unit. A growing number of U.S. households also include domestic partners, who are committed to each other though not married and who may be of the same or the opposite sex.

For many workers in the United States, balancing the demands of family and work is a significant challenge. Although that balancing has always been a concern, the increase in the number of working women and dual-career couples has resulted in greater tension for many workers, both male and female. Employers find ways to respond to work–family concerns to attract and retain employees. Responses have included job sharing, providing child care services, and offering flexible schedules. Work–life integration is a key area of success for women in leadership roles, along with getting good mentors and being confident and unique on the job.

Age Considerations in the Workforce In most developed nations, the population is aging, resulting in an older workforce. In the United States, a significant number of experienced employees will be retiring in the near future, changing to part-time work, or otherwise shifting their employment. Replacing the experience and talents of longer-service workers is a challenge facing employers in all industries. Loss of these individuals is frequently referred to as a brain drain because of their significant knowledge and experience. Employers often create programs to retain them, possibly having them mentor and transfer knowledge to younger employees or finding ways for them to continue contributing to the workplace in a more limited capacity (e.g., part-time work).

Millennials (also called Generation Y) are an emerging group of workers in organizations today, and their numbers are expected to represent 75 percent of the workforce by the year 2025. These individuals value jobs that allow them to make a social impact, offer retirement investment options, respect their time for family, and provide for their personal development. Following closely behind this generation is Generation Z, those born since the mid-1990s. This cohort highly prizes workplace flexibility and student loan repayment benefits, and these workers expect employers to utilize social media platforms as a primary communication method. A this generation

enters the workforce, intergenerational diversity issues will become even more complex, requiring greater adaptability of HR practices.

1-5d Human Resources and Technology

In the 1980s, most large companies used a mainframe computer to run a Human Resource Information System (HRIS). These systems processed payroll, tracked employees and their benefits, and produced reports for HR managers. All of this was run by information technology (IT) staff/professionals. In 1989, a software package called PeopleSoft became wildly popular—it allowed HR to run its own reports and make changes without help from IT. Today, software as a service (SaaS) functions in a vendor's data center or in the cloud, and the self-service it allows has probably done more to change the work of HR than anything else. SaaS agreements enable firms to rent software packages from vendors instead of buying licenses, but there are concerns. Many organizations are also replacing some of their aging HR software with new technology that automates applicant tracking, facilitates reporting, and analyzes HR data.

Data security and privacy are concerns because even though a company owns its own data, information is still stored with a vendor. Data breaches in several high-profile organizations have highlighted the importance of protecting employee personal information through technology systems and staff training.⁴⁵

Benefits and Challenges of Technology The increased use of technologies in the work-place is greatly impacting the way HR activities and other managerial functions are performed in organizations. In particular, the rapid expansion of HR technology serves a number of important purposes. Administrative and operational efficiency and effectiveness can be enhanced when technology is appropriately incorporated into the workplace. For instance, technology can improve the efficiency with which data on employees and HR activities are compiled. The most basic example is the automation of payroll and benefits activities. Numerous firms also provide web-based employee self-service programs that enable employees to access and change their personal data online, enroll in or change benefits programs, and prepare for performance reviews.

Another common use of technology is tracking EEO/affirmative action activities. HR technology can also facilitate strategic HR planning. Having accessible data enables HR planning and managerial decision making to be based to a greater degree on information rather than on managerial perceptions and intuition, thus making organizational management more effective. Using technology to support HR activities increases the efficiency of the administrative HR functions and reduces costs. Managers benefit from the availability of relevant information about employees. Properly designed systems provide historical information on performance, pay, training, career progress, and disciplinary actions. Managers can make better HR-related decisions on the basis of this information. To maximize the value of technology, systems should be integrated into the overall IT plan and enterprise software of the organization.⁴⁶

Technology is used extensively by many organizations to help hire the best employees. Automation tools enable hiring managers to quickly work through large numbers of résumés with keyword assessments and to more effectively evaluate candidates' qualifications and suitability. ⁴⁷ Technology can also be used to improve the employee experience. Finding relevant information to connect to company training options, pay and benefit details, and work schedules are important ways that employees use technology to facilitate their work lives. ⁴⁸

Despite these benefits, the use of technology in organizations presents some inherent challenges. An overreliance on technology could negatively impact individual learning.⁴⁹ The use of the small computerized device known as Google Glass, which individuals wear like eyeglasses to access the Internet with voice commands, take photos, and record videos, prompts many concerns about privacy and security.⁵⁰

Mobile Devices One emerging trend is the use of mobile devices to manage various HR and business functions. For instance, ADP offers a popular mobile app called ADP Mobile that allows

individuals to view employee information and perform other HR functions. A recent study by the company showed that payroll data was viewed more frequently with mobile devices than it was with traditional computers.⁵¹ Some organizations are encouraging employees to bring their personal devices into the workplace so that they can be used to complete work. This is called a bring your own device (BYOD) policy.⁵² The cloud technology firm Rackspace Hosting has such a policy and encourages employees to perform more of their HR functions and activities—everything from payroll administration to knowledge transfer—on mobile devices.⁵³

There are several issues that should be considered to successfully manage mobile technology. One consideration is that HR leaders should encourage the use of mobile devices with BYOD policies. The HR department should also work closely with IT professionals to establish practices that will be the most beneficial. There should be a close working relationship between the Chief Information Officer and Chief Human Resource Officer. Another concern is that to avoid complexity, companies need to be selective about what types of information are available on mobile devices. HR professionals also need to figure out how to use mobile technology to help them at work. They should select apps that make information easily accessible and can be used with multiple devices.⁵⁴

Social Media The growth of the Internet has led to the creation of numerous platforms in which individuals can interact. Social media, online communities where users create and share content and participate in networking, has grown exponentially in the past decade. Figure 1-7 shows the number of users on the major social media sites in 2017. It is clear that for organizations to connect with prospective and current employees, a presence on social media is needed

Strategic HR use of social media can build the employer's reputation in the labor market and help HR professionals to reach candidates and current employees. HR professionals can engage by posting to blogs or Twitter, recruit applicants, announce corporate changes, and provide video job previews.⁵⁵ However, HR must be thoughtful and careful in how the organization members utilize social media.

The Risk of Social Media The risk of social media is becoming apparent to employers, and some fear that its use will lead to disclosure of trade secrets such as customer lists and many other problems. Some managers also worry that negative comments made by employees will harm a firm's reputation. While companies may want to establish policies that regulate how technology can and should be used, recent developments suggest that such an approach might not be positive. The general counsel of the National Labor Relations Board has advanced a number of complaints about corporate social networking policies on the grounds that they violate workers' right to engage in conversations about the workplace as part of the provisions outlined in the National Labor Relations

FIGURE 1-7 Number of Users on Popular Social Media Websites, 2017

Users	
1.9 billion	
1.2 billion	
1.2 billion	
1 billion	
889 million	
869 million	
700 million	
638 million	
328 million	
313 million	

Source: Motley Fool Investing, www.fool.com/investing/201703/30/top-10-social-networks-how-many-users-are-on-each aspx

Social media

Online communities where users create and share content and participate in networking



Act.⁵⁶ Another concern relates to how social media might be used to screen job candidates. Many states, including New Mexico, Arkansas, California, and Utah, now have laws that prevent hiring companies from requesting passwords to obtain access to job applicants' social media accounts.⁵⁷

LO5 Explain how ethical issues in organizations affect HR management.

1-6 Organizational Ethics and Human Resource Management

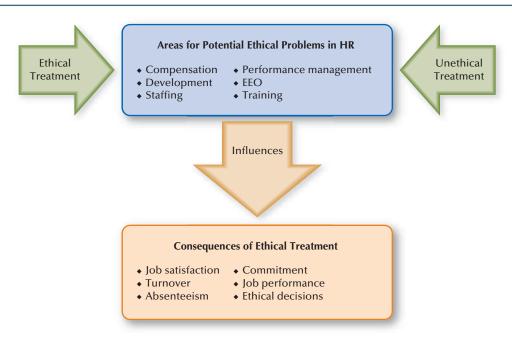
Closely linked with the strategic role of HR is the way managers and HR staff influence the ethics of employees, as well as the ethical practices of organizations as a whole. These various levels of ethics should be managed in a manner that affects individuals and the workplace in a positive manner, thus aiding in the development of better work outcomes. As Figure 1-8 indicates, violating HR protocols can lead to negative organizational and individual consequences, while institutionalizing ethical practices can prompt many positive outcomes.⁵⁸

Attention to ethics has been growing for many years, driven in part by the corporate scandals at numerous firms in the United States and globally. These scandals show that ethical lapses are common, and they can erode corporate culture so that employers, employees, and other stakeholders are negatively impacted. Research also suggests that the presence of "moral disengagement," a tendency for individuals to make unethical decisions without feeling any regret or remorse, might also be driving unethical conduct in the workplace.⁵⁹ This means that firms must develop a culture of ethics so that employees are less likely to witness unethical acts and feel more encouraged to do the right thing on the job.

1-6a Ethical Culture and Practices

Writers on business ethics consistently stress that one of the primary determinants of ethical behavior is a positive organizational culture, which, as mentioned earlier, involves the shared values and beliefs that are embedded within an organization. Every organization has a culture, whether it is newly created or well developed, and that culture influences how executives,

FIGURE 1-8 HR and Organizational Ethics





ETHICS

HR Keeps Organization on Straight and Narrow

In recent years, there has been a substantial increase in the number of CEOs being fired for ethical lapses such as bribery, sexual indiscretions, insider trading, and negligence. While this does not necessarily mean that misconduct has increased, it may be a sign of higher levels of accountability and transparency in organizations. Increased regulations and greater media exposure of all leadership behaviors have resulted in these situations being widely known.

While most HR professionals are not trained as attorneys, there is a greater expectation that HR will serve a role as corporate conscience, helping the organization to avoid legal and ethical problems. Ensuring that compliance programs go beyond mandated requirements and reflect corporate values makes these programs more meaningful to employees and more sustainable. Working to create a culture of ethical behavior and decision making that follows not only the letter of the law but also the spirit of the law shows employees what is expected.

Should HR uncover or learn about suspected CEO misbehavior, it is important to face the issue directly. This can be difficult, of course, as the CEO outranks the HR professional. However, HR staff should

- Be direct with the CEO,
- Not infer motives for the alleged behavior,
- Remind the CEO that whistle-blowers can report the allegations to external agencies if they do not feel safe in using internal reporting options,
- Go to the board, and
- Enlist a third party (such as external legal counsel) to conduct a full investigation.

When ethical issues arise, HR professionals need to understand their role and responsibilities as a company representative and employee advocate. An HR professional may not be able to ensure confidentiality when certain issues are brought up. Safety violations, harassment situations, and other issues may require disclosure to external authorities despite the discomfort this may cause for employees making a report. It is vital to obtain all the relevant facts in an alleged ethics or legal violation situation before proceeding further. Consulting with a trained legal expert is often a wise step to take to protect the interests of all parties involved.

HR professionals might want to read A Framework for Ethical Decision Making (available at https://www.scu.edu/ethics/ethics-resources/ethical-decision-making/a-framework-for-ethical-decision-making) to help recognize ethical issues and what actions might be appropriate. Unlike black-and-white legal compliance questions, ethical dilemmas are often more complex and rely on a philosophical approach rather than a compliance mindset. Having a code of conduct and ethics policy in place and consistently enforcing them are keys to setting a tone within the organization where employees are clear on how they should behave when working on the company's behalf.⁶⁰

Based on current issues regarding ethical lapses in organizations, consider the following questions:

- 1. How can HR staff ensure that top leaders are held to the same standards of behavior as line employees? What would you recommend HR staff do to demonstrate consistent enforcement and application of these standards?
- 2. What would you recommend to an HR professional whose superior has asked him or her to comply with a request to act unethically?

managers, and employees make organizational decisions. For example, if meeting objectives and financial targets is stressed as a cultural characteristic, then executives and managers may feel encouraged to falsify numbers or doctor cost records. However, when an ethical culture exists in an organization, employees are often more motivated to behave according to appropriate ethical standards.

The preceding "HR Ethics: HR Keeps Organization on Straight and Narrow" feature provides an example of how an organizational culture that fosters continuously tougher performance standards can lead to unethical behavior when employees feel pressured to perform. Companies often rely on a number of programs to increase employees' awareness of ethical issues. For instance, when the following programs exist, an ethical culture often develops, and ethical behavior is encouraged:

- A written code of ethics and standards of conduct
- · Training on ethical behavior for all executives, managers, and employees
- Advice to employees on ethical situations they face, often given by HR
- Systems for confidential reporting of ethical misconduct or questionable behavior
- · Public recognition and commendation when employees behave ethically

Companies can also develop programs related to corporate social responsibility that focus on the enhancement of stakeholder interests and the advancement of social good. There is growing awareness that socially responsible business practices are artifacts of cultural values and can prompt positive employee outcomes.⁶¹ Firms that effectively utilize HR skill-enhancing and motivation-enhancing practices may also foster a philosophy of sustainability and an ethical climate.⁶²



1-6b Ethics and Global Differences

Variations in legal, political, and cultural values and practices in different countries often raise ethical issues for global employers that must comply with both their home-country laws and the laws of other countries. These differences can also lead to ethical and legal conflicts for global managers. Some firms have established guidelines and policies, for example, to reduce the payments of bribes, but even these efforts do not provide guidance for all situations that can arise. Companies can develop ethics codes and training so that employees understand the problems they might face in global environments. These guidelines could be wrapped into regular cultural and/or transition training that prepares individuals for working in a diverse global workplace. They might also concentrate on issues such as sustainability and social responsibility.



1-6c Role of Human Resources in Organizational Ethics

People in organizations face many different ethical decisions, and they are often guided by their own values and personal behavior codes, as well as by various organizational, professional, and societal principles. Employees may ask the following questions when dealing with ethical dilemmas:

- Does the behavior or result meet all applicable *laws*, *regulations*, and *government codes*?
- Does the behavior or result meet both organizational standards and professional standards of ethical behavior?

Organizations that are known to be ethical have better long-term success because they develop policies that guide individual ethics. In this sense, HR management plays a key role as the keeper and voice of organizational ethics. HR departments can help develop corporate compliance efforts and an ethical culture by ensuring that incentives do not lead to unethical conduct, develop business processes and financial controls to discourage bad behavior, and encourage open discussion when ethical issues emerge. Since ethical conduct starts when new employees join a firm, HR can ensure that selection practices and onboarding programs reinforce the organizational ethics approach. There are many different views about the importance of HR in ensuring that ethical practices, justice, and fairness are embedded in HR practices. Figure 1-9 identifies some of the most frequent areas of ethical misconduct that involve HR activities.

FIGURE 1-9 Examples of HR-Related Ethical Misconduct



Ethical issues pose fundamental questions about fairness, justice, truthfulness, and social responsibility. Just complying with a wider range of requirements, laws, and regulations cannot cover every ethical situation that executives, managers, HR professionals, and employees will face. Yet having all the elements of an ethics program may not prevent individual managers or executives from engaging in or failing to report unethical behavior. Even HR staff members may be reluctant to report ethics concerns, primarily because of fears that doing so may affect their current and future employment. However, when HR develops programs that encourage ethics, employees should be more motivated to behave ethically. Another critical approach for guiding employees' ethical decisions and behavior is ethics training, with research showing that many more companies are using such instruction to enhance an ethical culture. Firms such as Best Buy, Caterpillar, and others have ethics training for all employees via the Internet or in person. How to address difficult and conflicting situations is a part of effective HR management training efforts. To help HR staff members deal with ethical issues, the SHRM has developed a code of ethics for its members and provides information on handling ethical issues and policies.

LO6 Explain the key competencies needed by HR professionals and why certification is important.

1-7 Human Resources Management Competencies and Careers

The intent of this book is not to train all who read it to be HR managers. Most will take this knowledge and work at another job in the organization but understand the duties HR must accomplish, which they must often share. Given that, it is useful to understand the necessary competencies and certifications for HR professionals.

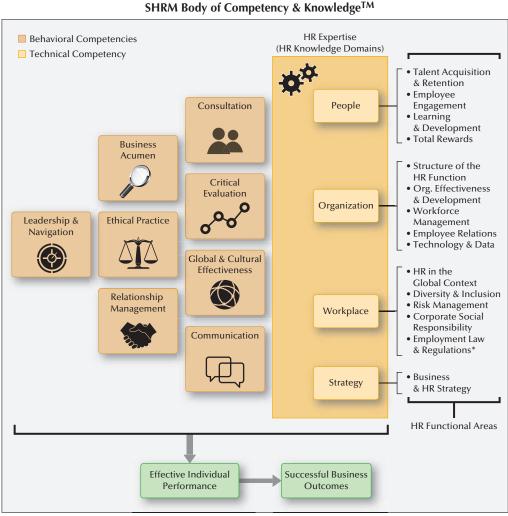
1-7a Human Resources Competencies

There has been much discussion in the HR profession about the competencies HR leaders should possess. The transformation of HR into a more strategic and professional field has implications for the kinds of competencies that individuals should develop.⁶⁸ HR professionals at all levels certainly need to have a basic understanding of strategic management; legal, administrative, and operational issues; and how technology is applied. Additional competency-based factors that a typical HR professional should develop include being a strategic positioner, a credible activist, a capacity builder, a change champion, an innovator and integrator, and a technology proponent.⁶⁹

SHRM, the leading professional association for HR, developed a list of competencies that are arranged in a comprehensive model. Figure 1-10 provides a summary of the SHRM competency framework. The model was developed based on advice given by more than 1,200 practitioners who participated in focus groups, survey responses provided by more than 32,000 other professionals, and analysis of multiple performance outcomes that were linked back to the competencies. The nine competencies highlighted include the following:

- Human resource expertise. Applies knowledge of HR functions
- Relationship management. Builds networks that support the firm
- Consultation. Provides advice and direction
- Leadership and navigation. Guides the organization and its employees
- Communication. Fosters positive flow of information among different parties
- Global and cultural effectiveness. Understands diverse global issues
- Ethical practice. Builds organizational ethical values and compliance
- Critical evaluation. Functions as a judge of information
- Business acumen. Provides input that supports business strategy

FIGURE 1-10 SHRM HR Competency Model



^{*}Applicable only to examinees testing within the United States

Source: www.shrm.org

Ideally, awareness and consideration of these competencies should guide the professional development of HR leaders. In addition, individuals' application of these competencies will often vary as they progress through their HR careers, from the early and middle levels to the senior and executive levels.⁷⁰

1-7b Human Resource Management as a Career Field

A variety of jobs exist within the HR field, ranging from executive to clerical. As an organization grows large enough to need someone to focus primarily on HR activities, the role of the HR generalist is needed—that is, a person who has responsibility for performing a variety of HR activities. Further growth leads to the addition of HR specialists, or people who have in-depth knowledge and expertise in specific areas of HR. Common areas of HR specialty include benefits, compensation, staffing and recruitment, and training and development. Appendix A contains examples of HR-related job descriptions, both generalist and specialist.

HR jobs can be found in a firm's corporate headquarters, as well as in the field and subsidiary operations of an organization. A compensation analyst or HR director might operate from a corporate headquarters. A recruitment coordinator for a manufacturing plant and a regional HR manager for European operations in a global food company are examples of field and subsidiary HR professionals. These types of jobs have different career appeals and challenges based on their varying responsibilities. Another job within the HR profession that is gaining momentum is Chief Human Resource Officer. These individuals are expected to have a broad understanding of the different complex areas of HR management, and their presence is linked to higher organizational performance and profitability.⁷¹

1-7c Human Resource Professionalism and Certification

Depending on the job, HR professionals need considerable knowledge about the various legal and operational aspects of managing the human resources in an organization. The broad range of issues faced by HR professionals has made involvement in professional associations and organizations important. For HR generalists, the largest organization is SHRM. Public-sector HR professionals tend to be concentrated in the International Public Management Association for Human Resources (IPMA-HR). The World Federation of People Management Associations (WFPMA) provides an opportunity for HR professionals operating in global organizations to network and gain expertise. Other prominent specialized HR organizations are the WorldatWork Association, the Association for Talent Development (ATD), and the International Association for Human Resource Information Management (IHRIM).

One characteristic of a professional field is having a means to certify that members have the knowledge and competencies needed in the profession. The Certified Public Accountant (CPA) for accountants and the Chartered Life Underwriter (CLU) for life insurance underwriters are examples. Certification can be valuable to individuals and useful to employers as they select and promote certified individuals. Earning certification is an important step in establishing proficiency and credibility in the profession. Equally important is the continuing education and recertification process that ensures that individuals maintain up-to-date skills and knowledge so that they can effectively manage HR programs and practices. The primary certification processes explained below involve both an initial certifying exam followed by required ongoing continuing education to maintain certification. This ensures that certified professional continue to remain up-to-date on current HR practice.

HRCI Certification The most widely known HR certifications are the Professional in Human Resources (PHR) and the Senior Professional in Human Resources (SPHR), both sponsored by the Human Resource Certification Institute (HRCI). More than 500,000 professionals have at least one of these designations, and thousands of individuals take the certification exams annually. A major update to the exam content for both exams was recently conducted to reflect changes in the HR profession and the increased emphasis on strategy and leadership for the senior level certification. Eligibility requirements for PHR and SPHR along with a summary of exam content are shown in Appendix B. Full details on the content covered on the exams can

HR generalist

A person who has responsibility for performing a variety of HR activities

HR specialist

A person who has in-depth knowledge and expertise in a specific area of HR