

FUNDAMENTALS OF HUMAN RESOURCE MANAGEMENT

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Fundamentals of Human Resource Management: Functions, Applications, and Skill Development helps students of all majors build the skills they need to recruit, select, train, and develop employees. Bestselling authors Robert N. Lussier and John R. Hendon explore the important strategic function HR plays in today's organizations. A wide variety of applications, self-assessments, and experiential exercises keep students engaged and help them see the relevancy of HR as they learn skills they can use in their personal and professional lives. The Second Edition includes 13 new case studies and new coverage of the agile workplace, generational differences, gamification, social media, and diversity and inclusion.

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FUNDAMENTALS OF HUMAN RESOURCE MANAGEMENT

SECOND EDITION



ROBERT N. LUSSIER | JOHN R. HENDON

FUNDAMENTALS OF HUMAN RESOURCE MANAGEMENT

FUNCTIONS, APPLICATIONS, AND SKILL DEVELOPMENT

SECOND EDITION



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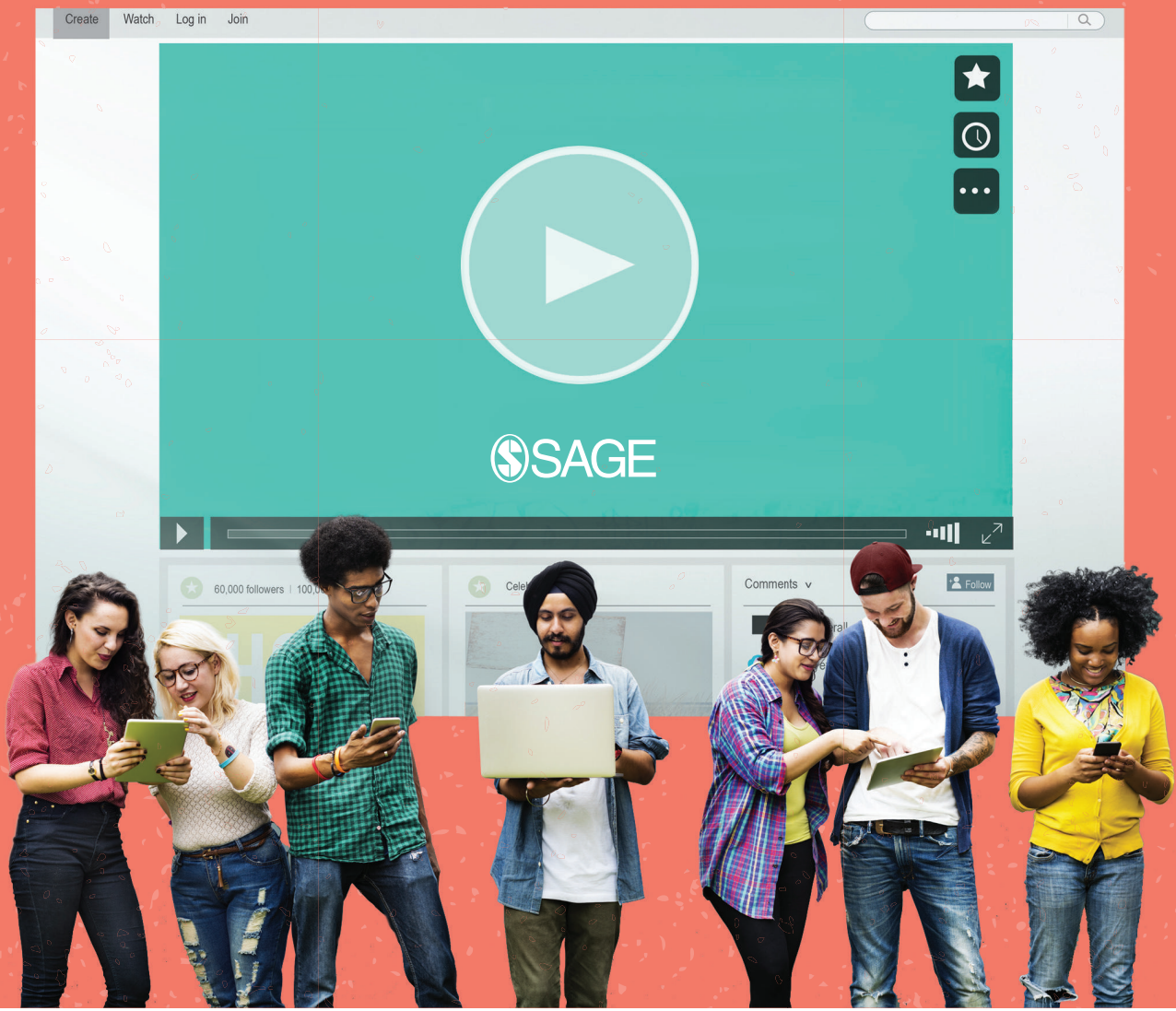


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Fundamentals of Human Resource Management: Functions, Applications, and Skill Development helps students of all majors build the skills they need to recruit, select, train, and develop people.

- **CASE STUDIES** illustrate how specific organizations use the HRM function and include critical thinking questions that challenge students to identify chapter concepts.
- **TRENDS AND ISSUES IN HRM** at the end of every chapter introduce students to important developments in the HR field, including technology, diversity, automation, the agile workplace, generational differences, and gamification.
- **SKILL-BUILDING EXERCISES** provide students with hands-on opportunities to experience human resources and develop essential skills.

Case 8.1 Not Spilling the Beans at Jelly Belly: Developing a More Accurate Performance Appraisal System

Candy making is a fun business, and so it is no surprise that it is fun to work at the Jelly Belly Candy Company of Fairfield, California. Although this company has cheesecake, buttered popcorn, orange sherbet, and jalapeño on the menu, they are most known for making jelly beans—fifty “official” flavors, with new and sometimes startlingly flavored (and named) versions introduced periodically, such as Chili Mango. The company’s other products include gumballs, gumdrops, and sour candies in Jelly Belly flavors. Its more than 100 confections also include candy corn, sour candies, jellies, novelty candy, chocolate-covered nuts, chocolate-covered pretzels, chocolate-covered rice, along with seasonal offerings. Jelly Belly’s candy is sold in more than 70 countries worldwide. In addition to making candy, the company dabbles in retail. It operates half a dozen retail Jelly Belly candy stores in California, as well as a visitor center/warehouse (with tours) in Pleasant Prairie, Wisconsin.²⁴

Jelly Belly Candy Company is dedicated to providing the highest-quality confectionery products to its customers. The company’s mission is to “create joy through candy.”

do other things that may cause our workforce to become more satisfied. We can adjust work hours (minimally), make benefits packages better, and maybe make work schedules a little better. As discussed, we can also use job design flexibility. Any of these might cause turnover to go down. But this won’t happen overnight because it takes some time to change people’s opinions of the organization. In addition, this option is very difficult to take back later.

New Hires

Our next option is to hire new employees. But this option takes a while, doesn’t it? We have to go through a long process of analyzing the job, recruiting people, selecting employees, training, and working through a learning curve to get them capable of doing the work. We can see that this is a slow method of resolving a worker shortage. It is also not easy to take back.

Trends and Issues in HRM

In this chapter’s trends and issues section, we will review Gig Work and the Agile Workforce. Secondly, we will brief you on Automation at Work in modern companies.

Gig Work and the Agile Workforce

Let’s take a closer look at the changing shape of the workforce. The last edition of this text, published 3 years ago, noted that gig work was accounting for a little over 7% of the workforce in the United States. The most recent estimates for the various types of gig work—mostly forms of contract or temporary labor—are between 20% and 30%,²⁵ and that is expected to grow to nearly 50% of the labor force by 2025.^{26,27}

Certainly, gig work is not going to overtake regular employment as the primary means of labor engagement any time soon, but as an optional form of work it is increasing at a massive rate. McKinsey Global Institute recently identified four types of independent workers: “free agents,” who choose gig work and make a living doing it; “casual earners,” who supplement their regular work with gigs; “reluctants,” who work primarily through gigs but would rather have a regular job; and the “financially strapped,” who do supplemental work because they need the money. McKinsey says that that as many as 162 million people do gig work in the United States and the European Union.²⁸

The Bureau of Labor Statistics has taken notice of gig work also. The Bureau of Labor Statistics says that many gig workers there really are in the “gig economy.” The Bureau of Labor Statistics (BLS) says that many gig workers are misclassified or “misclassified” as independent contractors when they are really employees. The BLS says that many gig workers are misclassified or “misclassified” as independent contractors when they are really employees. The BLS says that many gig workers are misclassified or “misclassified” as independent contractors when they are really employees.

Interview questions while not going into any details of the job responsibilities or even some background questions required a yes/no response. She did not receive a tour of the store nor did she meet any of the store employees, including those she dealt with earlier. Krissy tried to ask several of her prepared questions in order to develop a relationship with the manager, yet each was answered in a very curt, perfunctory manner. Krissy walked out of the store feeling that she had the worst interview in the history of job interviews.

Two days later Krissy was astonished when she was asked to have a Skype interview with the regional district manager at Links. This manager was quite positive, emphasizing the importance of the New York products and services; service had to be “of the highest quality” with the customer always coming first. The regional district manager was supportive of her efforts to obtain a graduate degree and indicated the financial support she would receive from the firm for her continued education. When the job offer came, Krissy didn’t know what to do or what to think. No one had verified her abilities throughout the process to links in the chain of command at Links of London that tarnished their golden image.

Questions

1. What types of “fit” was Links of London looking for in their employees, according to their career services website?
2. What are the steps in the selection process, and where did this process seem to falter with Krissy?
3. What determines if a question is acceptable in a pre-employment inquiry, and what questions might have been deemed unacceptable on Links’s job application?
4. Krissy took a personality test as well as a test of her integrity yet not a job-specific cognitive test. What might be the firm’s rationale for using the tests they did?
5. What type of interview did the store manager seem to conduct using what type of questions?
6. What steps should have been taken when conducting the interview? Did the store manager miss any of them?
7. If you were Krissy, would you accept the job offer?

Case is derived from a previously published case (see reference 2) and includes fictitious material added to enhance the case solely for instructional purposes.

Skill Builder 6.1 Interviewing

Objective

To develop your ability to develop interview questions and to develop your ability to interview and to be interviewed.

Skills

The primary skills developed through this exercise are as follows:

1. HR management skills—Technical, interpersonal, business, and conceptual and design skills
2. SHRM 2018 Curriculum Guidebook—N: Staffing (Recruitment and Selection)

Preparation

Assume you are the HR director and you need to hire a new college grad for an entry-level HR position.

Because you are not a large company, you have a small staff and the new hire will help out in a wide variety of HR functions. Develop a list of at least 10 questions you would ask the candidates during a job interview for the position.

Apply It

What did I learn from this experience? How will I use this knowledge in the future?

Your instructor may ask you to do this Skill Builder in class by breaking into groups of two or three and actually conducting interviews using your questions. If so, the instructor will provide you with any necessary information or additional instructions.



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FUNCTIONS, APPLICATIONS, AND SKILL DEVELOPMENT

SECOND EDITION

ROBERT N. LUSSIER

Springfield College

JOHN R. HENDON

University of Arkansas at Little Rock



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• Preface •

In his book *Power Tools*, John Nirenberg asks, “Why are so many well-intended students learning so much and yet able to apply so little in their personal and professional lives?” The world of business and human resource management (HRM) has changed, and so should how it is taught. Increasing numbers of students want more than lectures to gain an understanding of the concepts of HRM. They want their courses to be relevant and to apply what they learn, and they want to develop skills they can use in their everyday life and at work. It’s not enough to learn about HRM; they want to learn how to be HR managers. This is why we wrote the book. After reviewing and using a variety of HRM books for more than a decade, we didn’t find any that (1) could be easily read and understood by students and (2) effectively taught students how to be HR managers. We wrote this text out of our desire to prepare students to be successful HR managers and/or to use HRM skills as line managers or employees. As the subtitle states, this book not only presents the important HRM concepts and functions but also takes students to the next level by actually engaging them by teaching them to apply the concepts through critical thinking and to develop HRM skills they can use in their personal and professional lives.

Market and Course

This book is for undergraduate- and graduate-level courses in human resource management (HRM), including personnel management. It is appropriate for a first course in an HRM major, as well as required and elective courses found in business schools. This textbook is also appropriate for HRM courses taught in other disciplines, such as education and psychology, particularly industrial psychology and organizational psychology, and can be utilized for training courses in supervision. The level of the text assumes no prior background in business or HRM. This book is an excellent choice for online and hybrid courses in HRM.

Learning by Doing: A Practical Approach

I (Lussier) started writing management textbooks in 1988—prior to the calls by the Association to Advance Collegiate Schools of Business (AACSB) for skill development—to help professors teach their students how to apply concepts and develop management skills. Pfeffer and Sutton (*The Knowing-Doing Gap*, 2000) concluded that the most important insight from their research is that knowledge that is actually implemented is much more likely to be acquired from learning by doing than from learning by reading, listening, or thinking. We designed this book to give students the opportunity to “learn by doing” with the following approaches:

- A practical “**how-to-manage**” approach that is strategy driven.
- The only HR text where primary content areas identified in the Society of Human Resource Management **2018 Curriculum Guidebook** as *required* for undergraduate students is specifically identified in the text where the material is covered (over 270 items). In addition, many of the *secondary* and *graduate students only* items are also identified as they occur in the text.
- Six types of high-quality **application materials** use the concepts to develop critical-thinking skills.
- Four types of high-quality **skill-builder exercises** help to develop HR management skills that can be utilized in students’ professional and personal lives.
- A selection of **videos** that reinforce HRM-related abilities and skills.
- A flexible approach that meets the preferred teaching style of professors and learning styles of today’s students who want to be engaged with active learning.

A New Generation of Learners

Today's students, including millennials and Generation Z (also referred to as the post-millennials), succeed when they are fully engaged in learning on multiple levels; traditional methods of teaching do not always meet their needs. Our text is flexible enough to accompany lecture-based teaching, and also offers a wide range of engaging activities that accommodate a variety of contemporary learning styles. Many of the specific learning preferences of today's students have been addressed in the book's overall approach, organization, and distinctive features.

Active Learning

A desire for **active learning** is addressed with a large variety of activities and skill-building tools.

Practical Approaches

A desire for **application and skills** in personal and professional realms is addressed by a variety of features throughout the text. **Immediate application and ongoing self-assessment** are found in the Work Application prompts (found online and in the Instructor Manual) and Self-Assessment tools. Organization tools such as **checklists, summaries, and “how to”** instructions are integrated throughout the book, for example, the marginal references to SHRM curriculum guidelines.

Accessible Content

Chunking of content into easily digested segments helps students to organize study time. **Visual learning** preferences are accommodated in colorful exhibits, models, and figures throughout the text, along with an ancillary package that includes visual learning options. **Internet learning** preferences are recognized in a robust Web-based package, which includes video and interactive features for students.

A Three-Pronged Approach

We have created a concise textbook intended to develop the full range of HRM competencies. As the subtitle of this book implies, we provide a balanced, three-pronged approach to the curriculum.

Concepts/Functions

The following features are provided to support the first step in the three-pronged approach.

HRM functions. Chapter 1 presents eight major HRM functions identified by SHRM with questions that need to be answered. The book is structured around the eight functions in five parts (see the table of contents for details). These functions are emphasized in order to show students the depth of knowledge that is required of the contemporary HR manager.

Pedagogical aids. Each chapter includes Learning Outcomes, Chapter Summary, Key Terms and Key Terms Review, Communication Skills questions, Case study followed by questions, and Skill Builders.

SHRM's Required Content, as well as many Secondary and Graduate-only HR Content Areas from the *SHRM Human Resource Curriculum: Guidebook and Templates for Undergraduate and Graduate Programs* (SHRM, 2018), are annotated for easy reference where they appear in each chapter of the text. An in-text reference (e.g., **SHRM C:17**) identifies the *SHRM Curriculum Guidebook* topic being covered, and a reference number links to an appendix covering the entire *SHRM Curriculum Guidebook*. Nearly all of the Primary Content Areas and Subtopics identified in the *SHRM Curriculum Guidebook* are introduced within the text.

Applications

The following features are provided to support the second step in the three-pronged approach.

Practitioner's Perspective illustrates how a real-life human resource manager currently employed by the state of Arkansas works within the various HRM functions in her daily activities.

Organizational examples of HRM concepts and functions appear throughout the book.

Work Applications incorporate open-ended questions that require students to explain how the HRM concepts apply to their own work experience. Student experience can be present, past, summer, full-time, part-time employment, or volunteer work. The Work Applications associated with the prompts in the text can be found online and in the Instructor Manual.

Applying the Concept features ask students to determine the most appropriate HRM concept to be used in a specific short example.

Ethical Dilemma features give students examples of real-world situations in which they need to make a choice using the concepts and skills presented in the chapter.

Cases at the end of each chapter illustrate how specific organizations use the HRM functions. Critical-thinking questions challenge students to identify and apply the chapter concepts that are illustrated in each case.

Skill Development

The following features are provided to support the third step in the three-pronged approach.

Self-Assessments help students to gain personal knowledge of how they will complete the HRM functions in the real world. All information for completing and scoring is contained within the text.

Communication Skills at the end of each chapter include questions for class discussion, presentations, and/or written assignments to develop critical-thinking communication skills; they are based on HR content areas.

Skill Builders develop skills that can be used in students' personal and professional lives. Many of the exercises in similar textbooks tend to be discussion-oriented exercises that don't actually develop a skill that can be used immediately on the job.

New to This Edition

All SHRM Guidelines are updated to the 2018 release. A full correlation to the SHRM Guidelines can be found online. All Work Application prompts have been moved online and are in the Instructor Manual.

Chapter 1

- Reorganized content for better flow and clarity
- Updated statistics
- Added subheadings to improve readability
- Provided updates to industry changes, such as title changes, role changes, and technological innovations
- Trends and Issues in HRM (new discussions): "Employee Engagement Improves Productivity" and "HRM and Organizational Agility"
- New Case: Fracturing the Labor Market: Employment in the Oil Services Industry

Chapter 2

- Reorganized some chapter content to improve flow and clarity
- Added discussion of the role of HR management in strategic planning
- Updated statistics and examples from current events and trends in industry
- Updated discussion of the role of data analytics in HRM
- Updated terminology from HRIS to HRMS
- Trends and Issues in HRM (new discussion): "Structure, Culture, and Technology Are Misaligned"
- New Case: Catalya Hats: Pulling a Rabbit Out of the Hat or Coming Up Empty Handed?

Chapter 3

- New chapter title: The Legal Environment
- Moved content on equal employment opportunity (EEO), affirmative action, and diversity to Chapter 13
- Added discussion on the role and responsibilities of HR to ensure compliance with the law and avoidance of sexual harassment issues
- Expanded discussion of religious discrimination
- New Skill Builder 3.2 (first edition's Skill Builder 3.2 is now Skill Builder 13.3)
- Trends and Issues in HRM (new discussions): "Sexual Orientation and Gender Identity Discrimination" and "Technology May Create New Dangers in Equal Opportunity and Diversity Management"
- New Case: When Religion Is on the Agenda

Chapter 4

- New chapter title: Workforce Planning: Job Analysis, Design, and Employment Forecasting
- Revised Learning Outcomes
- Updated content throughout the chapter
- Added new Self-Assessment
- Trends and Issues in HRM (new discussions): "Gig Work and the Agile Workforce" and "Automation at Work"
- New Case: Walmart's Everyday Hiring Strategy: Fueling Future Consumer Demand With Passion and Talent

Chapter 5

- Thoroughly revised and updated to reflect more current examples and technologies in this area of the field of HR
- Expanded discussion on technology and online recruiting
- Trends and Issues in HRM (new discussions): "Millennial vs. Generation Z: Aren't They All the Same?" and "Look for Grit, Not Just Talent"
- New Case: Trying to Build When Nobody Wants to Work

Chapter 6

- Expanded discussion of the fit of the candidate and the organization, focusing more on cultural fit and providing real-world examples
- Added new Self-Assessment: O*Net Interest Profiler Revisited
- Updated information on applications and résumés
- Updated statistics on written testing
- Revised and updated discussion of drug testing
- Expanded discussion on types of interviews and interview questions
- Revised content addressing criminal background checks
- Trends and Issues in HRM (new discussions): "Federal Regulation Limits Selection Testing" and "The Global Workforce and Immigration"
- New Case: A Kink in Links of London's Selection Process

Chapter 7

- Updated section “When Is Training Needed?” with current terminology and examples
- Added discussion of using simulations as a training method
- Added discussion of outsourcing as a method of employee development
- Trends and Issues in HRM (new discussions): “Gamification—A Phoenix Rising” and “The Corporate Learning Imperative”
- New Case: Doing Crunches at Nestlé: Continuous Improvement of Human Assets

Chapter 8

- Revised section “Performance Management Systems,” introducing current debate in the field to modify or discontinue annual performance ratings
- Updated and revised section “Who Should Assess Performance?” specific to supervisors and peers
- Added discussion of effective coaching in relation to avoiding common errors
- Thoroughly revised section “Debriefing the Appraisal,” with emphasis on and discussion of the importance of coaching
- Expanded discussion of the developmental performance appraisal interview
- Trends and Issues in HRM (new discussions): “Building Engagement Through Performance Management” and “Electronic Performance Monitoring”
- New Case: Not Spilling the Beans at Jelly Belly: Developing a More Accurate Performance Appraisal System

Chapter 9

- Fully revised and expanded discussion of “Managing and Leading Your Workforce”
- Added discussion of pulse surveys
- Made significant revisions to content on coaching
- Updated and revised content on union organizing and membership
- Trends and Issues in HRM (new discussions): “Good Feedback Makes a Good Manager” and “Social Media and the Web Continue to Create Managerial Nightmares”
- New Case: Willful Violation, or a Problem That Can Be Corrected?

Chapter 10

- Significantly revised and updated to reflect current trends, laws, and statistics in the area of compensation
- Revamped discussion of “Compensation Management,” placing greater emphasis on its growing importance to the firm
- Completely revamped discussion on “Compensation Strategy” to replace “Organizational Philosophy”
- Updated minimum wage discussion
- Trends and Issues in HRM (new discussions): “Designation of Independent Contractors Continues to Be an Issue” and “The Stubborn Gender Wage Gap—Can It Be Fixed?”
- New Case: Discounting Everything but Compensation at Costco

Chapter 11

- Significantly revised and updated to reflect current trends, laws, and statistics in the area of incentives and benefits, shifting focus to strategic use of both
- Trends and Issues in HRM (new discussions): “Does Incentive Pay Actually Improve Performance” and “Benefits for Domestic Partners”
- New Case: Best Buy or Best Scam? Trying to Get Commission Results on So-Called Non-Commission Pay

Chapter 12

- Updated statistics throughout the chapter
- Expanded discussion of cyber security
- Trends and Issues in HRM (new discussions): “OSHA Changes Rules on Post-Incident Drug Testing” and “eDocAmerica—Health and Wellness Online”
- New Case: You Are Not Hurt? Good—You’re Fired!

Chapter 13

- New chapter title: Ethics, Sustainability, Diversity, and Inclusion
- Moved section “EEO, Affirmative Action, and Diversity” (formerly in Chapter 3) to this chapter, retitling it “Diversity and Inclusion” and expanding coverage to include differences between diversity and inclusion
- Expanded section titled “Demographic Diversity”
- Added new discussion, “Managing Diversity,” covering the five HR initiatives used to increase equal opportunity
- Added new Self-Assessment covering diversity
- New Case: CEO Compensation: Do They Deserve Rock Star Pay?

Chapter 14

- Updated statistics and political trends impacting global economies and businesses
- Trends and Issues in HRM (new discussion): Globalization of Business Continues as a Trend!
- New Case: Germany “Italian Style”: An Interview With Bari Italy HR Director Francesco Basile of Bosch

Ancillaries

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- Selected tables and figures from the textbook

• Acknowledgments •

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Robert N. Lussier is a professor of management at Springfield College. Through teaching management courses for more than 25 years, he has developed innovative methods for applying concepts and developing skills that can be used both personally and professionally. A prolific writer, Dr. Lussier has more than 425 publications to his credit, including *Management* 7e (SAGE), *Human Relations* 10e (McGraw-Hill), and *Leadership* 6e (South Western/Cengage) and has published in top tier academic journals. He holds a bachelor of science degree in business administration from Salem State College, master's degrees in business and education from Suffolk University, and a doctorate in management from the University of New Haven. He served as founding director of Israel Programs and has taught courses in Israel.

John R. Hendon is a seven-time entrepreneur and former director of operations for a \$60 million company. He brought his experience and interests to the classroom full time in 1994 and has been a faculty member in the Department of Management at the University of Arkansas at Little Rock for over 20 years. An active member of the Society for Human Resource Management, he teaches in the areas of human resource management, strategy, and organizational management, and researches in a number of areas in the management field, specializing in entrepreneurial research. John is also currently the president of The VMP Group, an Arkansas-based business consulting firm. John's company consults with a variety of businesses on human resources, family business, strategic planning, organizational design, and leadership. He has provided professional assistance in the start-up and operation of dozens of Arkansas- and California-based businesses and nonprofits, government agencies, and utilities. John holds an MBA degree from San Diego State University and a BS in education from the University of Central Arkansas.

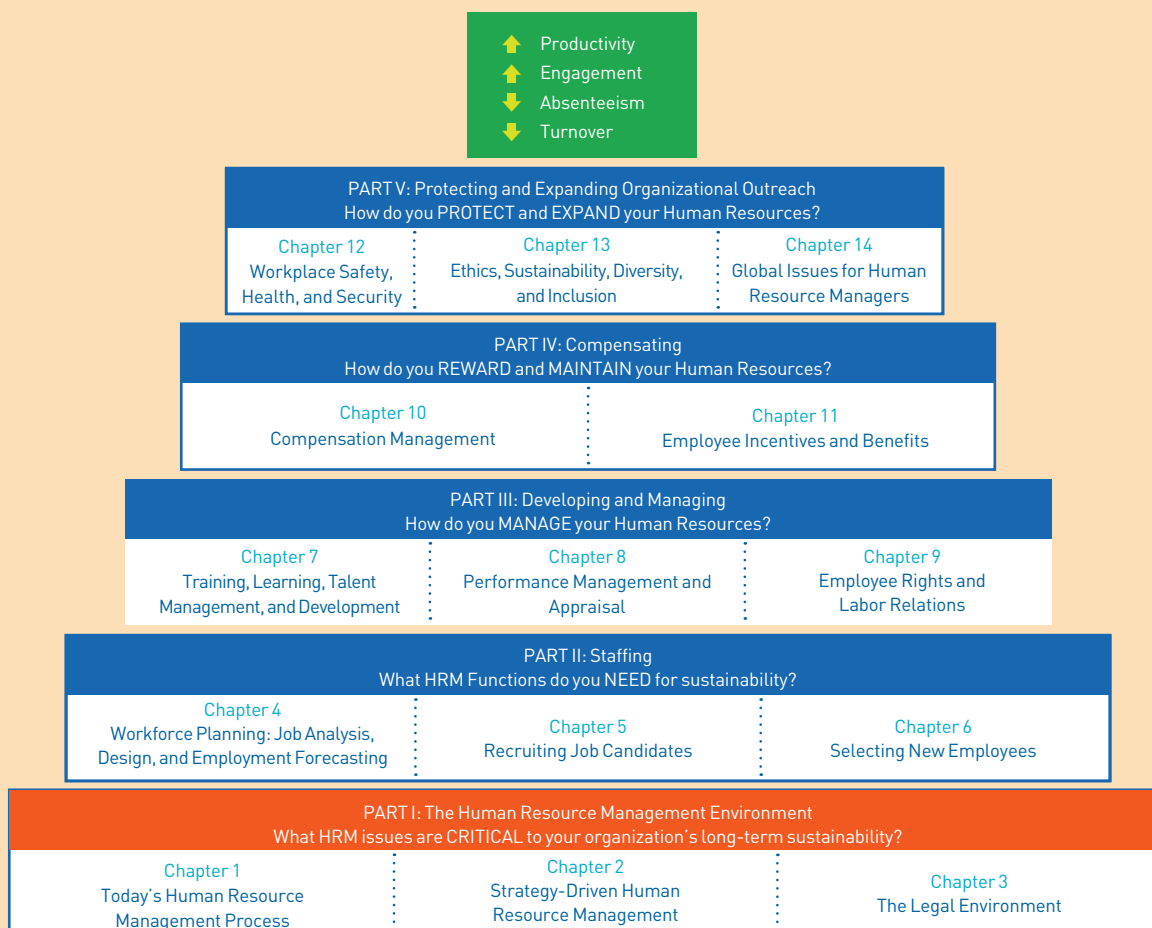
*To my wife, Marie, and our six children,
Jesse, Justin, Danielle, Nicole, Brian, and Renee
R.N.L.*

*For my father, Charles "Chuck" Hendon, who taught me perseverance
J.R.H.*

The Human Resource Management Environment

- 1 Today's Human Resource Management Process
- 2 Strategy-Driven Human Resource Management
- 3 The Legal Environment

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Today's Human Resource Management Process

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Learning Outcomes

After studying this chapter, you should be able to do the following:

- 1.1** Explain why all managers need to understand the basics of HRM. **PAGE 4**
- 1.2** Discuss how HRM helps meet management challenges to improve organizational revenues. **PAGE 5**
- 1.3** Describe the major HRM discipline areas. **PAGE 9**
- 1.4** Recall the primary difference between line and staff managers by their major HR responsibilities. **PAGE 14**
- 1.5** Summarize the major HRM skill sets. **PAGE 15**
- 1.6** Identify the most common HRM certification programs and their parent organizations. **PAGE 17**
- 1.7** Explain the practitioner's model for HRM and how it applies to this book. **PAGE 18**

SHRM HR Content

See Online: *SHRM 2018 Curriculum Guidebook* for the complete list

C. Employee and Labor Relations

- 4. Attendance
- 16. Employee engagement
- 17. Employee involvement
- 19. Employee retention

D. Employment Law

- 36. Professional liability

E. Globalization

- 6-c. Global benefits—Global labor markets
- 6-d. Global benefits—Global talent shortages

G. HR's Role in Organizations

- 1. It is expected that faculty will discuss HR's role regarding each of the individual HR disciplines . . .

L. Organizational Development

- 5. Improving organizational effectiveness
- 6. Knowledge management
- 10. Organizational effectiveness
- 13. Ongoing performance and productivity initiatives

O. Strategic HR

- 1-g. Strategic management—Organizational effectiveness
- 1-j. Strategic management—Sustainability/corporate social responsibility
- 2-a. HR strategies—Ethics
- 2-c. HR strategies—Internal consulting
- 2-g. HR strategies—The role of the chief human resource officer (CHRO)

Practitioner's Perspective

Cindy reflected on the current state of the HR field: Choice and change—two things you can rely on today! No longer merely concerned with hiring, firing, and record keeping, the average human resource (HR) department increasingly partners with the strategic planners in the executive suite, thanks to HR-based education and certifications. HR certification is available through the HR Certification Institute (HRCI) with PHR, SPHR, and GPHR designations, and the Society for Human Resource Management (SHRM) also offers its own program of certification with SHRM-CP and SHRM-SCP.

My professional progress began with membership in HR organizations. First, I became a SHRM student member, which provided access to SHRM's website—which was in turn valuable for research while I was a student. I still use it frequently. Next, my involvement spread to the local HR association. The chapter meetings provided excellent opportunities for education through the monthly programs, as well as for networking and swapping "best practices" with my colleagues. My involvement inspired me to become certified as a professional. But beyond that, I have found that those who invest in certification tend to become more involved in their profession and, by extension, more successful.

(Continued)

[Continued]

I invite you to join me as we explore the field of human resource management (HRM). Chapter 1 gives an overview of HRM as a profession.

Cindy Wright, PHR, came late to the human resources profession, and perhaps that explains some of her passion for the field. Wright graduated summa cum laude with a business administration degree, with an emphasis in human resources. She was recognized as “Outstanding Graduate” by the Human Resources Management department. After employment as a benefits administrator for 7,000 telecommunications retirees, then as an HR generalist for a gas well drilling company of 500 employees, Wright is now working in personnel management for the Department of

Human Services in the Division of Behavioral Health Services. Besides membership in the profession’s national organization, the Society for Human Resource Management (SHRM), Wright has been active in the local affiliated chapter, the Central Arkansas Human Resources Association (CAHRA). Wright served as vice president of administration for the chapter’s board as well as chair of the College Relation Committee. She was recognized by her peers with the “Rising Star” award for her work in creating a student chapter membership and was involved in the initial efforts to create satellite CAHRA chapters. Wright’s mission is to provide assistance to others interested in entering into and advancing within the human resources profession.

Why Study Human Resource Management (HRM)?

>> LO 1.1 Explain why all managers need to understand the basics of HRM.

It’s natural to think, “What can I get from this book?” or “What’s in it for me?” Success in our professional and personal lives is about creating relationships,¹ and students generally understand the importance of relationships.² The better you can work with people, the more successful you will be in your personal and professional lives—whether as an employee, a line manager, or a human resource manager. And that’s what this book is all about.

In a modern organization, **human resources (HR)**—the people within an organization—are one of the primary means of creating a competitive advantage, because the way we manage people directly affects their work performance.³ Most organizations of comparable size and scope within an industry generally have access to the same material- and facilities-based resources that any other organization within the industry may have, making it very difficult to create a competitive advantage based on material, facility, or other tangible resources. What this frequently leaves is people as the organization’s most valuable asset.⁴ If the organization can manage its people more successfully than its competitors do, if it can get its employees *engaged* in the day-to-day success of the organization, and if it can get them to stay with the organization, then it has a much greater chance of being successful—with the term *successful* defined in this case as being more productive and more profitable than the competition.⁵ Managers are responsible for getting the job done through employees,⁶ so the organization’s human resources are nearly always its most valuable resource. (SHRM guides are available at the beginning of each chapter as well as on the companion website. We will explain them in the section of this chapter titled “Resources for HRM Careers.”)

Employee Engagement

While job satisfaction can be an important aspect of employee engagement, the overall concept of **employee engagement** is much larger: It is *a combination of job satisfaction, ability, and a willingness to perform for the organization at a high level and over an extended period of time.*

Google is an example of an organization that takes the concept of employee engagement very seriously. **Google’s** “Project Oxygen” is one attempt to analyze what makes a better boss and use that information to train managers to be more consistent and interactive.⁷ This training is designed to create greater employee satisfaction and engagement, for very practical reasons. An article by the Queen’s Centre for Business Venturing in Canada notes that companies with the highest employee engagement over a 10-year period achieved 65% greater share-price increase; 15% greater employee productivity; 30% greater customer satisfaction; plus other significant advantages over their less engaged competitors.⁸ Companies with high levels of satisfaction and engagement also outperform those with less engaged employees in return on investment (ROI), operating income, growth rate, and long-term company valuation.⁹ So **Google** has good reason for training managers to be more engaging. The role of modern managers also continues to change, requiring today’s organizational leaders to deal with increasingly dynamic and complex environments.¹⁰ (**SHRM C:17 and C:16**)

Human resources (HR) The people within an organization

Employee engagement A combination of job satisfaction, ability, and a willingness to perform for the organization at a high level and over an extended period of time

Student Engagement and Skill Development

Today's students want to be actively engaged in their education. They don't simply want to learn HRM concepts, they want to be able to apply the concepts with critical thinking, and develop skills they can use in their personal and professional lives.¹¹ Organizations also want managers to have the ability to apply concepts and skills at work.¹² This is the reason our book uses a three-pronged approach, with these objectives:

- To teach you the important functions and concepts of HRM
- To develop your ability to apply HRM functions and concepts through critical thinking
- To develop your HRM skills in your personal and professional lives

We offer some unique features to further each of the three objectives, as summarized in Exhibit 1.1.

EXHIBIT 1.1 • Features of This Book's Three-Pronged Approach

Features That Present HRM Functions and Important Concepts	Features to Apply the HRM Functions and Concepts That You Learn	Features That Foster Skill Development
• Learning Outcomes	• Practitioner's Perspective	• Self-Assessments
• Key Terms	• Organizational Examples	• Communication Skills Questions
• Step-by-Step Behavior Models	• Work Applications	• Ethical Dilemmas
• Chapter Summaries With Glossaries	• Applying the Concepts	• Skill Builder Exercises
• Review Questions	• Cases	
	• Videos	

This book will teach you how to get people engaged and get the results necessary to succeed against tough competitors in today's business environment.¹³ We will focus on HR management, but the principles apply to any form of management. The bottom line is that if you learn these skills and apply them successfully in *any* manager role, you will get your employees engaged and improve productivity. That is what will get you noticed by senior management and allow you to move up the organizational ladder. So, let's get started!

HRM Past and Present

>> LO 1.2 Discuss how HRM helps meet management challenges to improve organizational revenues.

Back in the mid-1970s—when there weren't even any computers available to most managers!—being the human resource manager (we usually called them personnel managers then) was considered to be a bit easier than other management jobs. HR managers were only expected to be paper pushers who could keep all of the personnel files straight. They had very little to do with the management of the organization's business processes.

In these types of organizations, the HR department was considered a cost center.¹⁴ A **cost center** is a division or department that brings in no revenue or profit for the organization—running this function only costs the organization money. As you can easily see, we don't want many (or any) cost centers if we can help it. We need revenue centers instead.

Revenue centers, however, are divisions or departments that generate monetary returns for the organization. Where cost centers eat up available funds, revenue centers provide funds for the organization to operate. So, what's a good HR manager to do? HR departments are not able to

Cost center A division or department that brings in no revenue or profit for the organization—running this function only costs the organization money

Revenue centers Divisions or departments that generate monetary returns for the organization

Productivity center A revenue center that enhances the profitability of the organization through enhancing the productivity of the people within the organization

Productivity The amount of output that an organization gets per unit of input, with human input usually expressed in terms of units of time

Effectiveness A function of getting the job done whenever and however it must be done

Efficiency A function of how many organizational resources we used in getting the job done

generate revenue *directly* because of their tasking within the organization, but they can generate significant revenue and profit in an indirect fashion as *productivity centers*.

A **productivity center** is a revenue center that enhances the profitability of the organization through enhancing the productivity of the people within the organization. Today's HR managers are no longer running an organizational cost center. HRM enhances the revenues of the organization—by being a productivity center. **Productivity** is the amount of output that an organization gets per unit of input, with human input usually expressed in terms of units of time. (SHRM L:13)

But how can we become more productive? Productivity is the end result of two components that managers work to create and improve within the organization:

- **Effectiveness**—a function of getting the job done whenever and however it must be done. It answers the question, “Did we do the right things?”
- **Efficiency**—a function of how many organizational resources we used in getting the job done. It answers the question, “Did we do things right?”

Both of these are important, but most of the time, we are focused on efficiency.¹⁵ Our people allow us to be more efficient as an organization *if* they are used in the correct manner. This course is about how to make our people more efficient. (SHRM L:5, L:10, O:1-g)

Companies around the world are taking this need for efficiency very seriously, and new technologies and new ways of working are helping companies improve their efficiency. Chief human resource officers (CHROs) are concerned about employee engagement and productivity, and especially about improving efficiency,¹⁶ so companies put some of their best managers in the HRM job. In addition to improving efficiency, Fortune 500 firms that have a senior HR manager in the “C-suite”—meaning having a CHRO in addition to having a chief operations officer (COO), a chief finance officer (CFO), etc.—increased profitability by 105% over peer companies that did not have a CHRO!¹⁷ (SHRM O:2-g)

As the HR management responsibilities have changed over the years, so have their titles. The prior title Personnel Manager is not commonly used today. HRM is still popular, but some companies are using different titles, such as VP of People and Culture at **Birchbox**,¹⁸ People Operations at **Google** and **Southwest**, Employee Experience at **Airbnb**, and Employee Success at **Salesforce**.¹⁹

If you are interested in a HR career in a large company, the number of jobs has been increasing over the years. In 2007, the ratio of HR staff to workers was 1 HR staff member for every 100 workers. By 2017, the ratio had increased to 1.4:100.²⁰

HR management deals primarily with improving the efficiency of the people within our organization—getting more per unit of time. If our people are inefficient over long periods of time, our organization will fail. If we don't use our people efficiently, we're ultimately going to be forced out of business by somebody who is better at using those resources than we are.

Today's HRM Challenges

As the HR responsibilities and complexity of the function increases, so have the challenges they face.²¹ A recent SHRM survey of HR and non-HR executives asked what challenges they think will be most significant over the next 10 years. Here is a brief review of what they said.²²

The three biggest challenges according to HR executives:

1. Maintaining high levels of employee engagement
2. Developing next generation organization leaders
3. Maintaining competitive compensation and benefits offerings

The biggest challenges according to non-HR executives were very similar:

1. Developing next generation organizational leaders
2. Managing the loss of key workers and their skill sets
3. Maintaining competitive benefits and compensation offerings

The HR competencies that will be the most critical:²³

1. Business acumen: ability to understand and apply information to contribute to the organization's strategic plan
2. Organizational leadership and navigation: ability to direct and contribute to initiatives and processes within the organization
3. Critical evaluation: ability to interpret information to make business decisions and recommendations
4. HR expertise: ability to apply the principles and practices of HRM to contribute to the success of the business (the focus of this book)

Can you see how these challenges and the competencies could have an effect on productivity? We have pursued better selection and retention strategies for a number of years, and we have become much better at identifying future leaders and managing organizational relationships, culture, and structure.

Where we have not done as well—at least in most organizations to this point—is in business acumen, especially in quantitative areas dealing with metrics and data analytics. This is an area that is exploding in HR departments all over the world. The ability to analyze large data sets allows HRMs to work toward overcoming another of their challenges—creating strategic agility *and* greater productivity.²⁴ We will introduce you to some of the basic HR metrics as we go through this text, but first let's look at the demographics issue.



▲ Part of the diversity in today's workforce is people retiring later in life and working part-time.

Labor Demographics

We face significant demographic changes in the labor force that will be available to our companies over the next 20 to 30 years, and these changing demographics will affect our ability to maintain and improve productivity over the long term.

While there continue to be arguments concerning whether or not there is a skilled worker shortage worldwide, anecdotally at least companies are seeing a reduction in the number and quality of potential employees, plus greater gender, ethnic, and age diversity than at any time in the past. Partly as a result of the perceived shortage of skilled labor, we are seeing a greater number of older employees with high-level skill sets remain in the workforce. According to the U.S. Bureau of Labor Statistics, "Over the entire 2014–24 decade, the labor force growth rate of the 65- to 74-year-old age group is expected to be about 55 [percent], and the labor force growth rate of the 75-and-older age group is expected to be about 86 percent, compared with a 5-percent increase for the labor force as a whole."²⁵ So as a manager in a modern organization, your workforce will look much older than it has historically.

Your organization will also look more culturally diverse—even compared to today. The growth in immigrant workers will be substantial. Hispanic workers (of all nationalities) alone are predicted to be approximately 24% of the workforce in 2050, but today, they only make up about 14% of the workforce. Asian workers are expected to move up from about 4% now to about 8% of the workforce in 2050. But the gender mix will stay fairly close to what it is today. The percentage of women in the workforce has stabilized at about 47% or 48%.²⁶

All of this means that managers will need to be more culturally aware and able to deal with individuals with significantly different work ethics, cultural norms, and even languages. **(SHRM E:6-c)**

Technology and Knowledge

The 20th century saw the growth and decline of the Industrial Age in the United States and most other developed countries around the world. However, as we neared the end of the



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▲ Today's technology improves the effectiveness and efficiency of HR managers, leading to higher levels of productivity throughout the organization.

Information Age An era that began around 1980, in which information became one of the main products used in organizations; it is characterized by exponential increases in available information in all industries

Knowledge workers Workers who “use their head more than their hands” and who gather and interpret information to improve a product or process for their organizations

20th century, we started to enter the **Information Age**—an era that began around 1980, in which information became one of the main products used in organizations; it is characterized by exponential increases in available information in all industries. This was when assembly line work began to be taken over more and more by computers, robots, and other machines, and it was when the humans in our organizations were beginning to provide more than just labor; they started to provide intelligence—or knowledge. In the Information Age, we began to see a new kind of worker—knowledge workers.

Knowledge Workers and the Knowledge-Based Firm

Knowledge workers are workers who “use their head more than their hands” and who gather and interpret information to improve a product or process for their organizations. There has been a lot written in the past 20 years on knowledge workers, but we can boil it down to the fact that most workers in modern organizations are not working primarily with their hands; they work with their minds. In essence, knowledge workers manage knowledge for the firm. **(SHRM L:6)**

The Pace of Technological Change

Technology is currently outstripping our ability to use it. Computers get faster and faster, but the human beings that have to use them don't. What does this mean to a business? It means that if we can figure out ways to take advantage of technology better and quicker than our competitors can, then we can create a sustainable competitive advantage. We must continually figure out ways to use technology more successfully through hiring and training better and more capable employees—our *human* resources. If we do this, then our people will continually figure out ways to take advantage of it before our competitors.

Knowledge Workers Are in Short Supply

However, there is a continuous shortage of knowledge workers available. In fact, “The majority of jobs being created in the United States require skills possessed by only 20% of the current workforce.”²⁷ And the news is the same globally. This means that for the foreseeable future, we will have a shortage of knowledge workers. So each HR manager is going to be competing with every other HR manager in the world for that 20% of the workforce that comprises the pool of knowledge workers. Only if the organization manages its people successfully and maintains a reasonable working environment will it have any chance of filling most of the jobs that it has available. **(SHRM E: 6-d)**

Technology's Effect on Efficiency

Senior HR managers, knowing the limits placed on them by the shortage of knowledge workers, have learned that one way to improve efficiency of their workers is through use of technology—especially analytics. Old ways of doing work have become too slow in almost all cases—with competitors constantly innovating processes, and customers and employees demanding that we use technology tools to speed up both work and feedback on the work that is done.²⁸ Using technology allows us to gather, analyze, and manage large amounts of data much more quickly than we have ever been able to do before. This in turn allows managers—including HR managers—to find commonalities in the data that can help them create new and more efficient processes. One example will help show what we are talking about:

Sysco, a food service company with more than 50,000 employees, was able to identify “what actions by management will have the greatest impact on the business” through the use of survey data. Using some of this information, they were able to improve retention for their delivery associates from 65% to 85%, which in turn saved the company about “\$50 million in hiring and training costs for new associates.”²⁹

The Purpose for Managing Human Resources

Before we go further, let's look at some of the things that managers tell us they *must* control in order to manage people through today's business challenges, but they can't *directly* manipulate. Every time we survey managers in any industry or any department about managing, they bring up the following issues as being among the most important and most difficult things they deal with:³⁰

1. *Productivity*—previously defined
2. *Employee engagement*—previously defined
3. *Turnover*—permanent loss of workers from the organization. When people quit, it is considered voluntary turnover, while when people are fired, it is involuntary turnover.
4. *Absenteeism*—temporary absence of employees from the workplace

Note that each of these issues deals with people: not computers, not buildings, not finances—people! We have already introduced you to productivity and employee engagement, but what about the other two items? Let's take a moment for a more detailed look at each of them.

Turnover is the permanent loss of workers from the organization. There is strong and “growing recognition that collective turnover can have important consequences for organizational productivity, performance, and—potentially—competitive advantage.”³¹ As we will discuss throughout the book, turnover is very costly, so we want to minimize turnover. (**SHRM C:19**)

Turnover The permanent loss of workers from the organization

How about absenteeism? **Absenteeism** is the failure of an employee to report to the workplace as scheduled. On an annual basis, absenteeism costs in the United States went from an estimated \$30 billion in 1984³² to anywhere from \$100 to \$150 billion per year in 2011.^{33,34} We likely lose productivity, and if some of our workers are frequently absent, it causes lower job satisfaction in others who have to continually “take up the slack” for their absent coworker. (**SHRM C:4**)

Absenteeism The failure of an employee to report to the workplace as scheduled

Note that these four issues are interrelated. Absenteeism is costly, is often due to a lack of employee engagement, and leads to lower productivity.³⁵ People tend to leave their jobs (turnover) when they aren't engaged in their work, and while they are being replaced and sometimes after, organizational productivity goes down.³⁶

So the bottom line is this: As managers, we always need to be doing things that will improve productivity and employee engagement and that will reduce absenteeism and turnover. These items are critical. Everything in HRM revolves around these four things.

Disciplines Within HRM

>> LO 1.3 Describe the major HRM discipline areas.

HRM is an exciting field with many different paths that you can take over the course of your career.³⁷ The field is so broad you could do something different each year for a 40-year career and never exactly duplicate an earlier job. Although there are many different jobs in the field, most of them fall into a few categories. Let's briefly take a look at each of these disciplines or specialties. But first, complete the self-assessment (at the end of this section, p. 11) to help you better understand your overall interest in HR and which specialties interest you more. This section presents the disciplines discussed in detail throughout the book, so we will keep it short here.

The Legal Environment: EEO and Diversity Management

Equal employment opportunity (EEO) and diversity management specialists ensure compliance with equal opportunity laws and regulations as well as organizational affirmative action plans (when such plans are required or desired). They also have responsibilities related to the management of diverse employee groups within the company.

The HR legal and regulatory environment is critical to every organization today. This is also quite likely the area that changes more than any other in HRM. Every court case dealing with the HR environment inside any organization has the potential to affect every organization. Even if

the court ruling doesn't change the way a company has to do business, if a federal or state legislature sees the ruling as unfair, then it may change the law and thus affect each organization under its jurisdiction. We discuss this discipline in Chapter 3.

Staffing

Staffing includes all of the things we need to do to get people interested in working for our company—going through the recruiting process, selecting the best candidates who apply, and getting them settled into their new jobs. However, this area can literally make or break the organization in its ability to be productive.³⁸ If we attract and hire the right types of people with the right attitudes and skills, then the organization will have a good start at being successful. We discuss staffing in Chapters 4, 5, and 6.

Training and Development

Next, we have the training and development discipline. We train people for a variety of reasons, from teaching them their basic job to teaching them the things they will need in order to move up in the organization as people above them resign or retire.

As a training and development specialist, you would have responsibility for the training processes within the organization as well as for the development of curricula and lesson plans and the delivery of training courses. You would also be involved with the development of talent within the company so employees are trained and ready to move into more senior positions as those positions become vacant. We discuss training and development in Chapter 7.

Employee Relations

This specialty covers a wide array of items such as coaching, counselling, and disciplining the workforce as needed. It also involves leadership and team-building efforts within the organization. We also measure and evaluate job satisfaction and employee engagement as part of employee relations. HR managers in this function have to keep up with the many and varied laws relating to employee relations, and this specialty also involves the management of employee communication. We discuss employee relations in Chapter 9.

Labor and Industrial Relations

The labor and industrial relations specialist works with the laws and regulations that control the organization's labor-related relationships with their workforce. HR managers who work in this area might be involved in union votes, negotiations for union agreements, collective bargaining, grievances, and other items that affect the union-management relationship within the organization. This area also includes all labor relations activities, even in nonunion businesses. We also discuss labor and industrial relations in Chapter 9.

Compensation and Benefits

The compensation and benefits specialist helps decide the total compensation package the organization will use to attract and retain the best mix of people with skills that are specifically suited to the organization. A manager will have to understand the federal and state laws dealing with compensation. You would also deal directly with all of the federal and state compensation laws to ensure compliance in organizational pay and benefits procedures. We discuss compensation in Chapter 10 and benefits in Chapter 11.

Safety and Security

In the safety and security discipline, you might work in the area of occupational safety and/or health to make sure we don't injure our people or cause them to become sick because of exposure to some substance they work with. This discipline also includes fields such as stress management and employee assistance programs, which help employees cope with the demands of their jobs on a daily basis. And finally, this function works to ensure that employees are secure from

physical harm inflicted by other workers, outsiders, or even acts of nature. We discuss safety and security in Chapter 12.

Ethics and Sustainability

In this specialty, you would bear responsibility for seeing to it that the organization acts in an ethical and socially responsible manner. You might work on codes of ethics and also make sure employees live by those codes, such as by maintaining ways in which employees can report violations of ethics (also known as *whistle-blowing*). We discuss ethics and sustainability in Chapter 13.

(SHRM O:1-j and O:2-a)

Sustainability is meeting the needs of today without sacrificing future generations' ability to meet their needs.³⁹ Some companies have historically done a relatively poor job of maintaining the environment in some countries in which they operated.

If you take a look at the table of contents as well as the practitioner's model later in this chapter, you will realize this book is organized to discuss the eight areas of HRM discussed here.

1.1 SELF-ASSESSMENT

HR DISCIPLINES

Following are 24 HR activities that you could be involved in. Rate your interest in each specialty with a number (1–7) that represents your interest in the activity.

I'm not really interested in doing this				I'm really interested in doing this			
1	2	3	4	5	6	7	

1. ____ Working to make sure everyone in the firm is treated fairly
2. ____ Working against discrimination and helping minorities to get hired and promoted
3. ____ Knowing the laws, helping the firm implement laws, and reporting how the firm complies with the HR laws
4. ____ Working to get people to apply for jobs, such as writing advertisements and attending job fairs
5. ____ Interviewing job candidates
6. ____ Orienting new employees to the firm and their jobs
7. ____ Teaching employees how to do their current jobs
8. ____ Developing employees' general skills so they can progress in the firm
9. ____ Designing curricula and lesson plans for others to teach employees
10. ____ Coaching, counseling, and disciplining employees whose work quality is not up to standards
11. ____ Working with teams and helping resolve conflicts
12. ____ Working to understand and improve the level of job satisfaction throughout the firm
13. ____ Working with union employees
14. ____ Collective bargaining with unions
15. ____ Solving employee complaints
16. ____ Working to determine fair pay for different jobs, including investigating competitors' pay scales
17. ____ Creating incentives to motivate and reward productive employees
18. ____ Finding good benefits providers, such as lower-cost and higher-quality health insurance providers
19. ____ Making sure that employees don't get hurt on the job
20. ____ Working to keep employees healthy, such as developing diet and exercise programs

(Continued)

[Continued]

21. _____ Ensuring the security of the facilities and employees, issuing IDs, and keeping employee records confidential
22. _____ Ensuring that employees are ethical, such as developing and enforcing codes of ethics
23. _____ Enforcing ethical standards, such as maintaining methods for employees to confidentially report ethics violations
24. _____ Working to help the organization develop methods to improve efficiency while protecting our environment

Scoring and Interpreting Individual Discipline Results

Place your rating numbers (1–7) below and total the three scores for each discipline. Then rank your totals from 1 to 8 to determine which disciplines interest you most.

Legal Environment: EEO and Diversity Management

- 1 _____
- 2 _____
- 3 _____
- _____ Total (Rank this total: _____ [1–8])

Staffing

- 4 _____
- 5 _____
- 6 _____
- _____ Total (Rank this total: _____ [1–8])

Training and Development

- 7 _____
- 8 _____
- 9 _____
- _____ Total (Rank this total: _____ [1–8])

Employee Relations

- 10 _____
- 11 _____
- 12 _____
- _____ Total (Rank this total: _____ [1–8])

Labor and Industrial Relations

- 13 _____
- 14 _____
- 15 _____
- _____ Total (Rank this total: _____ [1–8])

Compensation and Benefits

- 16 _____
- 17 _____
- 18 _____
- _____ Total (Rank this total: _____ [1–8])

Safety and Security

- 19 _____
- 20 _____
- 21 _____
- _____ Total (Rank this total: _____ [1–8])

Ethics and Sustainability

- 22 _____
- 23 _____
- 24 _____
- _____ Total (Rank this total: _____ [1–8])

The higher your total in each discipline, the greater your interest in that area of HR at this point in time. Of course, your interest levels can change as you learn more about each discipline. You will also be doing self-assessments in all the other chapters that relate to these eight disciplines.

Scoring and Interpreting Total Discipline Results

Now add up your grand total interest score from all 24 activities and write it here: _____. Then compare it to the continuum below to gauge your overall level of interest in working in human resources:

Low interest in HR				High interest in HR		
24	50	75	100	125	150	168

The higher your score, the greater is your overall interest in HR, again at this time only.

You should realize this self-assessment is only designed to show your current level of interest. It may not predict how much you will enjoy working in any HR discipline in the future. For example, if you get a real job in an area where you gave yourself a low score today, you could end up finding it very interesting. The self-assessments throughout this book are designed to give you a better understanding of your interest and aptitudes at the present time, and they are open to your interpretations. For example, some people tend to rate themselves much lower or higher than others even though they have the same level of interest—so don't be too

concerned about your score. There are *no* correct answers or scores. Some people with lower scores may actually enjoy the course more than those with higher scores. The purpose of these self-assessments is to help you gain self-knowledge and get you thinking about how the topic of HRM relates to you.

So at this point, you should have a better idea of what the eight HR disciplines are and which areas are of more and less interest to you. But as you read the rest of this chapter and the others and learn more about each discipline, you may change your mind.

1.1 APPLYING THE CONCEPT

HRM DISCIPLINES

Identify each HRM discipline and write the letter corresponding to it before the activity involving it.

- a. Legal Environment: EEO and Diversity Management
- b. Staffing
- c. Training and Development
- d. Employee Relations
- e. Labor and Industrial Relations
- f. Compensation and Benefits
- g. Safety and Security
- h. Ethics and Sustainability

- _____ 1. The HR manager is writing an ad to recruit a job candidate.
- _____ 2. The HR manager is investigating an employee complaint of racial discrimination.
- _____ 3. The HR manager is taking a class in preparation for the exam to become certified as a Professional in Human Resources (PHR).
- _____ 4. The HR manager is working with an insurance company to try to keep the high cost of health insurance down.

- _____ 5. The HR manager is replacing the office copier with a more energy-efficient model.
- _____ 6. The HR manager is having a new software program installed to protect employee records from theft.
- _____ 7. The HR manager is working on the new collective bargaining contract with the Teamsters Union.
- _____ 8. The HR manager is looking for potential new employees at the LinkedIn website.
- _____ 9. The HR manager is filling out an accident report with a production worker who got hurt on the job.
- _____ 10. The HR manager is reviewing a report that compares its wages and salaries to other businesses in the area.
- _____ 11. The HR manager is giving priority to promoting a member of a minority group to a management position.
- _____ 12. The HR manager is teaching the new employee how to use the HR software program.
- _____ 13. The HR manager is referring an employee to a marriage counselor.

HRM Responsibilities

>> **LO 1.4 Recall the primary difference between line and staff managers by their major HR responsibilities.**

Now that we know the HR disciplines, it's time to learn the difference between line and staff managers and how their HR responsibilities within the disciplines are different while being related.

Line Versus Staff Management

Line managers The individuals who create, manage, and maintain the people and organizational processes that create whatever it is that the business sells

Staff managers Individuals who advise line managers in some field of expertise

Line managers are the individuals who create, manage, and maintain the people and organizational processes that create whatever it is that the business sells. Put simply, they are the people who control the actual operations of the organization. A line manager may have direct control over staff employees, but a staff manager would not generally have any direct control of line employees. HR managers, on the other hand, would generally be **staff managers**, individuals who advise line managers in some field of expertise. These managers, including accountants, lawyers, and HR staff, act basically as internal consultants for the company. So HR managers have staff authority to advise the operational managers concerning the HR disciplines.

Major HR Responsibilities of HR Staff and Line Management

All managers are responsible for meeting the organization's goals through effective management of its human resources. However, their major HR responsibilities are different. The HR staff have the primary responsibility of developing the HR policies and programs for everyone in the organization to implement on a daily basis. The line managers, therefore, are responsible for implementing the HR policies within their departments. Let's review the HR disciplines and discuss some differences. (**SHRM O:2-c and G:1**)

- **The Legal Environment: EEO and Diversity Management.** The HR staff need to know the laws and train the line managers how to operate within the law, such as what line managers can and can't ask during the interview process to follow EEO laws. HR staff may develop diversity programs and teach line managers how to work with a diversity of employees.
- **Staffing.** The HR staff generally recruit candidates, but line managers usually select who is hired.
- **Training and Development.** HR staff develop training programs, including training line managers how to be effective managers. HR may teach many employees how to do their jobs, but line managers tend to provide ongoing on-the-job training.
- **Employee Relations.** HR staff develop policies, but line managers are constantly dealing with employee relations. HR may train line managers on how to coach and discipline employees.
- **Labor and Industrial Relations.** HR is responsible for policies and training to make sure the labor laws are followed and line managers implement them. If the organization has a union, HR often helps in the contract negotiations.
- **Compensation and Benefits.** HR is responsible for developing the pay system including salary and benefits, but line managers can often have some input into how much an individual is paid, including raises.
- **Safety and Security.** HR is responsible for knowing the safety laws (OSHA) and ensuring that line managers train and manage their employees to follow the safety rules.
- **Ethics and Sustainability.** HR may develop ethics codes for everyone in the organization to follow, and line managers are responsible for making ethical decisions and helping their employees do likewise.

1.1 ETHICAL DILEMMA: WHAT WOULD YOU DO?

Our first HR discipline is to know and obey the laws, and the last discipline is ethics and sustainability. A long debated issue is (a) should a company focus on making a profit and doing so within the law, or (b) should a company go beyond the law to be ethical and socially responsible? Some experts state that (c) by being ethical and socially responsible the firm will be more profitable, whereas (d) others say that one shouldn't consider profits—a company should be ethical and socially responsible simply because it is the right thing to do.

Apple's cofounder **Steve Jobs** primarily believed in focusing on profits, whereas current CEO **Tim Cook** has changed policies to be more socially responsible by giving more resources to nonprofit organizations.

1. Do you agree with (a) focusing on profits, or (b) going beyond to be ethical and socially responsible?
2. Do you agree with (c) being ethical and socially responsible if it is profitable, or (d) that a company should be ethical simply because it is the right thing to do?
3. Review the HR disciplines and describe how a company can be ethical and socially responsible in performing these functions.

HRM Skills

>> LO 1.5 Summarize the major HRM skill sets.

All managers require a mix of technical, interpersonal, conceptual and design, and business skills in order to successfully carry out their jobs (see Exhibit 1.2).⁴⁰ The set of necessary HR skills is similar to the skills needed by other managers, but of course it emphasizes people skills more than some other management positions do. The recent SHRM competency model discusses four basic “competency clusters” that match up well with the following four skill sets.⁴¹

Technical Skills

The first skill set an HR manager must develop to be successful, and the easiest one to develop, is technical skills.⁴² **Technical skills** are *the ability to use methods and techniques to perform a task*. HR managers require many skills, including comprehensive knowledge of laws, rules, and regulations relating to HR; computer skills; interviewing and training skills; understanding of performance appraisal processes; and many others. This skill set is part of the SHRM *technical expertise* competency. We will cover many of these skills in the remaining chapters of this book.

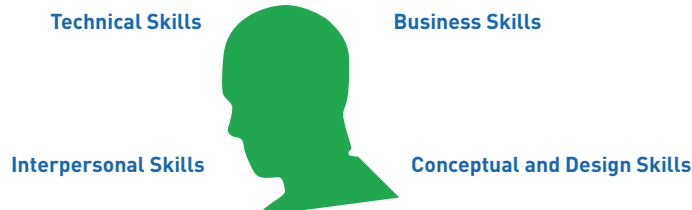
Technical skills The ability to use methods and techniques to perform a task

Interpersonal Skills

The second major skill set is **interpersonal skills**, which comprise *the ability to understand, communicate, and work well with individuals and groups through developing effective relationships*.

Interpersonal skills The ability to understand, communicate, and work well with individuals and groups through developing effective relationships

EXHIBIT 1.2 • HRM Skills



The resources you need to get the job done are made available through relationships with people both inside the organization (i.e., coworkers and supervisors) and outside the organization (i.e., customers, suppliers, and others).⁴³ This skill set is identified as *interpersonal proficiency* in the SHRM competency model.

We will focus on interpersonal skills throughout this book, and you will have the opportunity to develop *your* interpersonal skills through this course.

HR managers must have strong people skills, including being empathetic. **Empathy** is simply *being able to put yourself in another person's place—to understand not only what that person is saying but why the individual is communicating that information to you*. Empathy involves the ability to consider what the individual is feeling while remaining emotionally detached from the situation.

Empathy Being able to put yourself in another person's place—to understand not only what that person is saying but why the individual is communicating that information to you

Conceptual and Design Skills

Conceptual and design skills help in decision making. Leaders' decisions determine the success or failure of the organization.⁴⁴ So organizations train their people to improve their decision-making skills.⁴⁵ **Conceptual and design skills** include *the ability to evaluate a situation, identify alternatives, select a reasonable alternative, and make a decision to implement a solution to a problem*. Learning this skill set is necessary if you are going to become capable in the SHRM *leadership proficiency* competency.

Conceptual and design skills The ability to evaluate a situation, identify alternatives, select a reasonable alternative, and make a decision to implement a solution to a problem

Business Skills

Finally, SHRM's *business-oriented proficiency* competency is a mandatory HRM skill. **Business skills** are *the analytical and quantitative skills—including in-depth knowledge of how the business works and its budgeting and strategic planning processes—that are necessary for a manager to understand and contribute to the profitability of the organization*. HR professionals must have knowledge of the organization and its strategies if they are to contribute strategically. This also means they must have understanding of the financial, technological, and other facets of the industry and the organization. Today, HR managers must gain the capability to manipulate large amounts of data using data analytics programs and HR metrics.

Business skills The analytical and quantitative skills—including in-depth knowledge of how the business works and its budgeting and strategic planning processes—that are necessary for a manager to understand and contribute to the profitability of the organization

1.2 APPLYING THE CONCEPT

HRM SKILLS

Identify each activity as being one of the following types of HRM skills and write the letter corresponding to each skill before the activity or activities describing it.

- a. Technical
- b. Interpersonal
- c. Conceptual and design
- d. Business

- ____ 14. The HR manager is working on the strategic planning process.
- ____ 15. The HR manager is working on determining why more employees have been coming to work late recently.

- ____ 16. The HR manager is filling out a complex government form.
- ____ 17. The HR manager is talking socially with a few of her staff members.
- ____ 18. The HR manager is praising a staff member for finishing a job analysis ahead of schedule.
- ____ 19. The HR manager is assigning projects to various staff members.
- ____ 20. The HR manager is communicating with employees throughout the company via email.

Resources for HRM Careers

>> LO 1.6 Identify the most common HRM certification programs and their parent organizations.

If you are interested in HRM as a career, there are several professional associations and certification programs associated with HR management that will help you get into these jobs and help you advance more quickly in the future. We've listed some of them in this section, and there are several others within specific HR disciplines that are not discussed here.

Society for Human Resource Management (SHRM)

The **Society for Human Resource Management (SHRM)** is the largest and most recognized of the HRM advocacy organizations in the United States. According to its website, SHRM is "the world's largest HR professional society . . . representing more than 285,000 members in over 165 countries."⁴⁶

What does SHRM do? Probably the biggest part of its work is dedicated to (1) advocacy for national HR laws and policies for organizations and (2) training and certification of HR professionals in a number of specialty areas. SHRM's new "competency-based" certification programs include the SHRM Certified Professional and Senior Certified Professional (SHRM-CP and SHRM-SCP).

SHRM is an outstanding organization that anyone thinking about a career in human resources should consider joining. Student memberships have always been and continue to be very inexpensive, especially considering all that is available to members of the organization.

SHRM also provides a curriculum guide for colleges and universities that offer HRM degree programs. The guide identifies specific areas in which SHRM believes students should gain competence as HRM majors. Because SHRM is such a significant force in each of the HRM fields, we have decided to show you where each of the required curriculum areas is covered within this text. In each chapter, you will see notes within the content when a *SHRM required* topic is discussed. These notes are alphanumerically keyed to the information in the Appendix *SHRM 2018 Curriculum Guidebook*. You might want to pay special attention to these notes if you have plans to become an HR manager.

If you do decide to work toward a goal of becoming an HR manager, you will need to think about taking the SHRM-CP Exam. To get more information about the SHRM-CP Exam and when you are eligible to take it, go to the SHRM website at <http://www.shrm.org>.

Society for Human Resource Management (SHRM) The largest and most recognized of the HRM advocacy organizations in the United States



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▲ Taking and passing the SHRM Assurance of Learning Exam is an important step on the path to becoming an HR manager.

Other HR Organizations

In addition to SHRM, there are three organizations that have certification programs that are recognized in many countries around the world. The first one is the **Association for Talent Development (ATD)**. As its name implies, ATD primarily focuses on supporting those who develop the knowledge and skills of employees in organizations around the world.⁴⁷ Its major certification is the Certified Professional in Learning and Performance (CPLP). According to the ATD websites, CPLP certification is designed to "Validate your knowledge and skills in the talent development profession."⁴⁸

The **Human Resource Certification Institute (HRCI)** is the second organization that provides some of the most respected certifications for HR personnel anywhere in the world.⁴⁹ The three biggest HRCI certification programs are the PHR, SPHR, and GPHR certifications. PHR stands for Professional in Human Resources, SPHR stands for Senior Professional in Human Resources, and GPHR stands for Global Professional in Human Resources. These certifications are recognized by organizations worldwide as verification of a high level of training.

The third major organization is **WorldatWork**.⁵⁰ Certifications from this organization include Certified Compensation Professional (CCP), Advanced Certified Compensation Professional (ACCP), Certified Benefits Professional (CBP), Global Remuneration Professional (GRP), Work-Life Certified Professional (WLCP), Certified Sales Compensation Professional (CSCP), and Certified Executive Compensation Professional (CECP).

Professional Responsibility and Liability

Like all managers, HR managers should try to do what is best for the organization and employees—creating a win-win situation for both. Unfortunately, you can't always do so. And your first responsibility is to the organization. Managers have a type of fiduciary responsibility to act for and on behalf of the owners' interest—not employees. HRM departments exist primarily to serve top management.⁵¹ For example, employees don't always agree with the HR policies and rules, such as when **Amazon** does not pay employees for time waiting to get through security. You may have to lay off employees, such as happened at **Sears**, which needed to cut company costs, but this obviously results in lost jobs—more of a win-lose situation.

Do you realize that you can be held personally liable for your actions on the job? If you break the law, you can be sued and possibly face criminal charges. This is one of the many reasons why you really want to understand all of the HRM concepts. You need to be aware of the potential for personal liability, and in some cases, you may even need to consider professional liability insurance—for instance, if you are an HRM consultant to outside organizations. **(SHRM D:36)**

Practitioner's Model for HRM

>> **LO 1.7 Explain the practitioner's model for HRM and how it applies to this book.**

We have given you a (very) brief history of the HRM world and what HR management does for the organization. Now we need to start talking about some of the detailed information you will need to know in order to be a successful manager for your organization. How will we do that? We are going to work through what you need to know using a practitioner's model for HRM, shown in Exhibit 1.3, which is the foundation for this book.

The Model

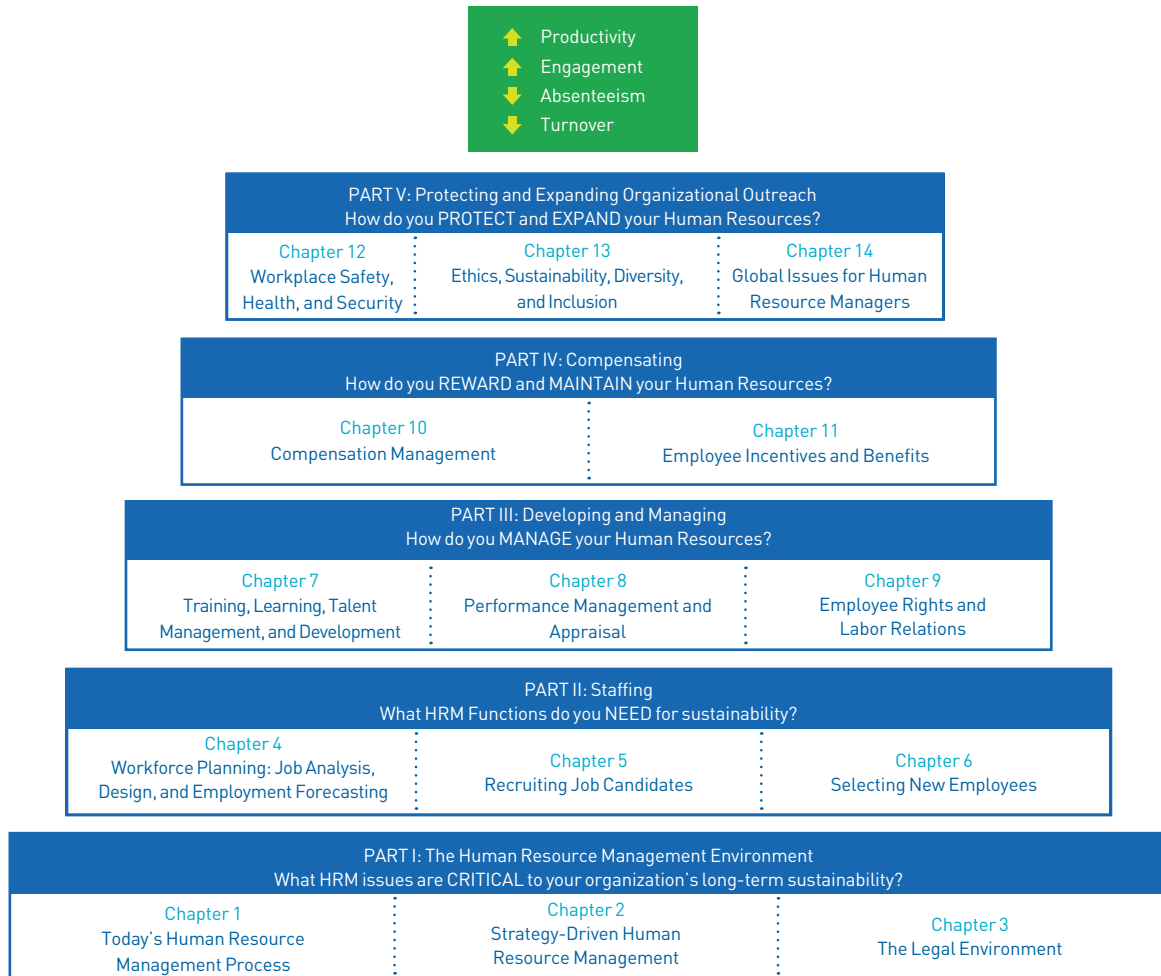
The practitioner's model is designed to show you how each of the areas within HRM interacts and which items you must deal with before you can go on to successfully work on the next section—kind of like building a foundation before you build a house. Let's discuss the details of each section of the model separately. As we discuss each section, refer back to Exhibit 1.3 for a visual of the section.

Section I: Current HRM Practices, Strategic Planning, and HR Laws

You have already begun Section I, where we discuss modern HRM, including the necessity of having strategy-driven HRM and a strong understanding of the basic HR legal environment. This is the basis for everything else that an HR manager will do, so it is the foundation of our diagram. These are the things that are *most critical* to the organization's basic stability and success, because if we don't get them right, we will probably not be around long enough as an organization to be successful in the sections resting on this one.

Section II: Staffing

Now that we have a stable organization with some form of direction, we start to look at getting the right people into the right jobs. We first look at identifying the jobs that will need to be filled and then work through how to recruit the right numbers and types of people to fill those jobs. Finally, we find out what our options are concerning methods to select the best of those job candidates whom we have recruited.

EXHIBIT 1.3 • The Practitioner's Model for HRM**Section III: Developing and Managing**

In the third section, we learn how to manage our people once they have been hired. We have to train people to do jobs; we have to evaluate them in some formal manner so they know how well they are doing; and we have to develop them so they can fill higher-level positions as we need people to step up into those positions. We sometimes have to coach, counsel, and/or discipline our employees as well, so we need to learn how to do those things. Finally, Section III addresses the role of employee and labor relations.

Section IV: Compensating

The fourth section will cover the compensation and benefits packages to keep our people satisfied (or at least not dissatisfied). Both direct compensation, in the form of base pay and incentives, and indirect pay, in the form of worker benefits, provide us with some level of control over what our employees decide to do for the organization. Section IV shows us how to *reward and maintain* our workforce, since they are so critical to our ongoing success.

Section V: Protecting and Expanding Stakeholder Reach

The last section's topics include managing safety and health, providing ethical and social responsibility guidelines to members of the organization, and the globalization issues involved in working in multiple countries and cultures. In addition to safety and health, two areas have become far more important since the beginning of the Information Age in the early 1980s: (1) ethical, sustainable, and socially responsible organizations; and (2) the ability to operate in a global business environment.

Trends and Issues in HRM

In each chapter of this text, we will briefly discuss some of the most important trends and issues in HRM today. These trends and issues will cover areas such as the use of technology in HRM, global HRM, ethical issues in HR, and diversity and equal opportunity. For this chapter, we have chosen the issues of (a) how employee engagement improves productivity and (b) HRM and organizational agility.

Employee Engagement Improves Productivity

Remember that employee engagement is a combination of job satisfaction, ability, and a willingness to perform for the organization at a high level and over an extended period of time. This combination of satisfaction, ability, and willingness is more critical today than ever before.⁵² However, one Gallup survey recently noted that only about 32% of U.S. workers are engaged with their work, and worldwide it is even worse at a dismal 13% engagement.⁵³ In another survey, Gallup reported that companies with the most engaged workforce had 147% higher earnings per share, better productivity and profitability, and lower absenteeism and turnover than their competitors, so there is certainly strong reason to work toward a more engaged workforce.⁵⁴

Many managers and employees think that compensation is the most important item in employee engagement, but that is simply not the case—at least in most organizations.⁵⁵ Overall compensation and benefits matter, but they are not enough. So how do we improve engagement? Take a look at the following tips.

1. Give them the right tools—mobile, social, digital tools that provide immediate information and feedback.⁵⁶
2. Create trust—“walk the talk,” as Jack Welch says.⁵⁷
3. Listen—and then act on the information received. “Not only does a comprehensive approach to listening help an organization pinpoint and quickly address problems, it makes people feel valued.”⁵⁸
4. Employees are more important than clients/customers. Manage and lead the individual employee—they are *individuals*!⁵⁹
5. Treat *all* employees with respect. This was the number one factor in job satisfaction, and therefore in employee engagement, in a 2016 SHRM survey.⁶⁰

Obviously, this is a cursory look at engagement, but we will discuss every one of these issues in more depth as we go through the remainder of the text. For now, just understand the importance of improved employee engagement.

HRM and Organizational Agility

One of the words being used to describe successful organizations in today's environment is *agile*. The agile organization not only accepts change and disruption, it thrives in such environments.

Because nearly every industry is being disrupted by technology, agility is becoming a requirement in order to become, or remain, an industry leader.⁶¹ How can HRM help the organization become agile?

- Create a digital culture.⁶² To do this, HR and line managers must become comfortable with mobile and on-demand technology that allows the organization to be more agile and respond more quickly to outside forces. Digital technology can be used in nearly every area of HRM,⁶³ including recruiting, selection, organizational safety, training and development, performance management and appraisal, and tracking individual compensation.
- Develop the ability to not only survive but also thrive on change.^{64,65} Along with creating a culture that is comfortable with digital technology and tools, the business needs to pay close attention to making people at all levels comfortable with immediate and continuing change.
- Explore the value of “on-demand” workers. Full-time employees need to work seamlessly with consultants, temporary workers, part-timers, and partner organization employees. They will need to be able to create and maintain these relationships as long as necessary, modify them when needed, and cut off their interaction when the relationship no longer adds value.
- Review legacy processes and structures for adaptability to the agile workplace. Many companies have internal structures and processes that were designed to improve efficiency, but at the expense of adaptability.⁶⁶ If the organization is going to be able to become agile, we have to review the company structure and processes to see what can be kept without significant effect on the ability to adapt to new environments and what has to be modified.

Chapter Summary

1.1 Explain why all managers need to understand the basics of HRM.

In a modern organization, human resources are one of the primary means of creating a competitive advantage for the organization, because the ways we manage people directly affects their performance. Companies with the highest employee engagement over a 10-year period achieved 65% greater share-price increase; 15% greater employee productivity; 30% greater customer satisfaction; plus other significant advantages over their less engaged competitors. HRM provides all managers with tools to engage their employees and as a result increase employee productivity and company profitability.

1.2 Discuss how HRM helps meet management challenges to improve organizational revenues.

Today's HR department acts as a productivity center rather than a cost center, enhancing the profitability of the company by improving employee productivity. HRM practices primarily help to improve organizational efficiency. Employees become more efficient if they are used correctly, which means that managers don't use up their time (the valuable resource that we get from employees) in an inefficient manner. HR also assists in managing technology for efficiency, and managing the four dependent variables that concern line managers.