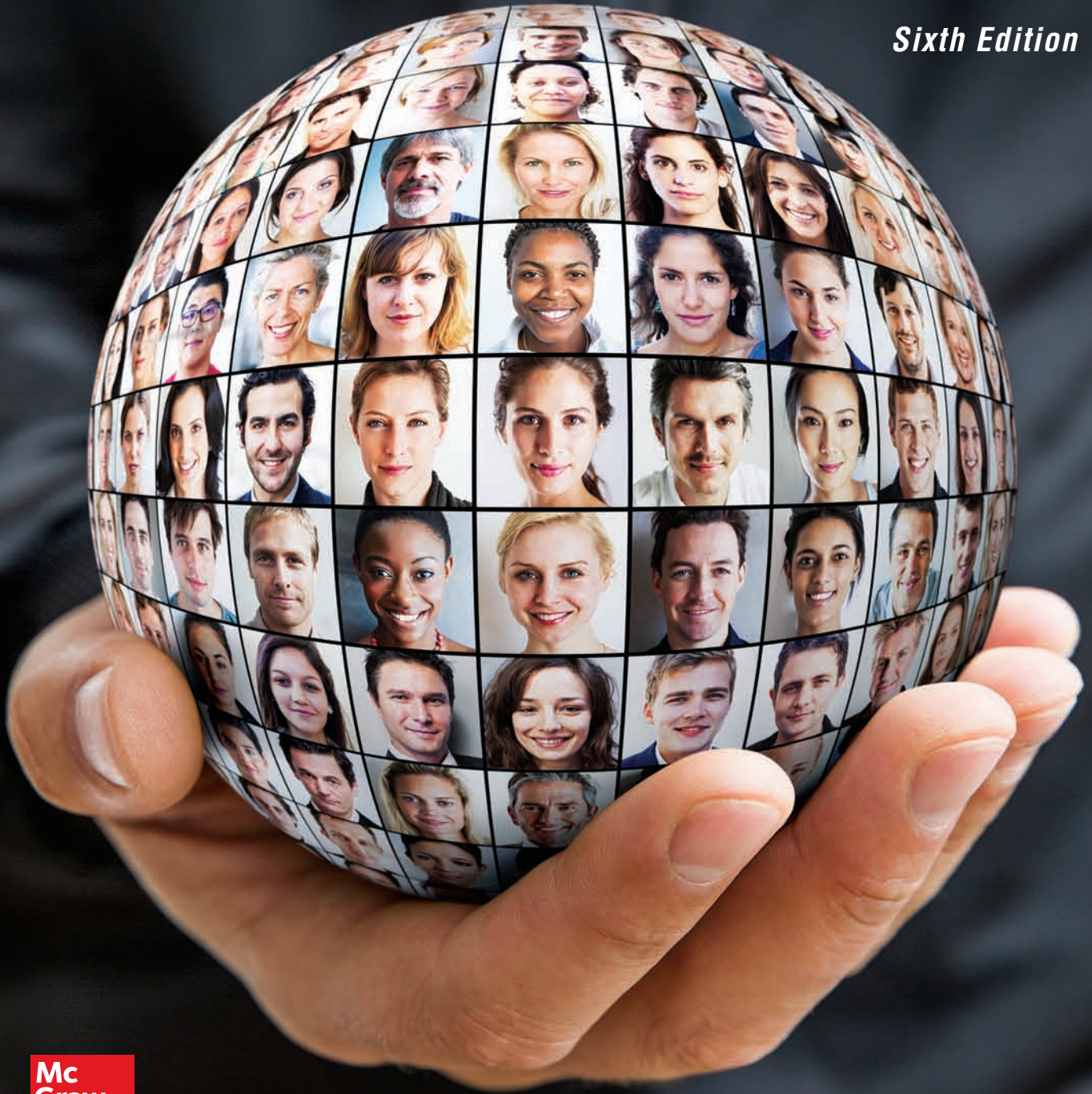


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MANAGEMENT

Sixth Edition

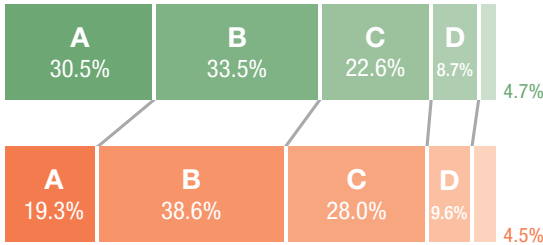


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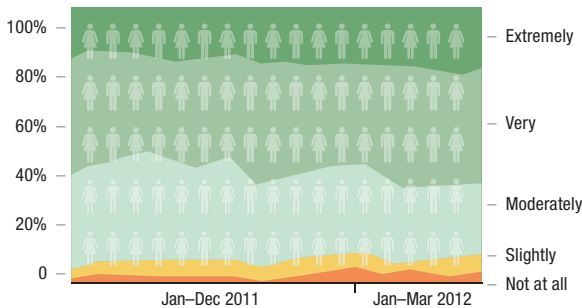
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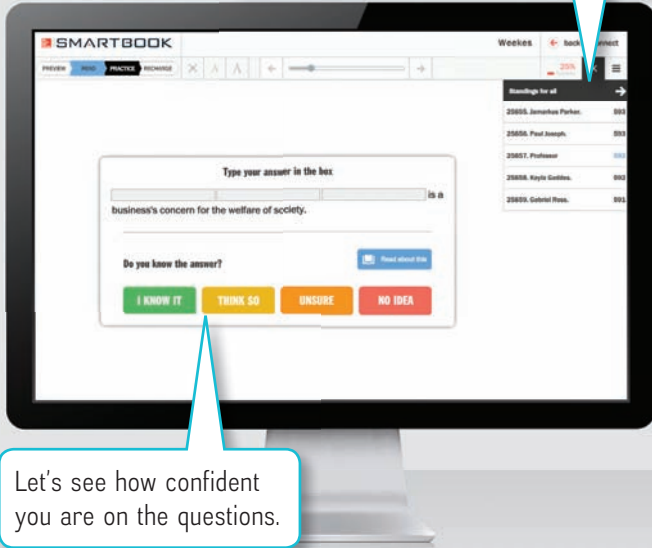
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SIXTH EDITION

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FUNDAMENTALS OF HUMAN RESOURCE MANAGEMENT, SIXTH EDITION

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ISBN 978-0-07-771836-7

MHID 0-07-771836-4

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Design: *Studio Montage, St. Louis, MO*
Content Licensing Specialists: *Keri Johnson, Ann Marie Jannette*
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Compositor: *MPS Limited*
Typeface: *10/12 Janson Text Lt Std*
Printer: *R. R. Donnelley*

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Library of Congress Cataloging-in-Publication Data

Noe, Raymond A.
Fundamentals of human resource management / Raymond A. Noe, John R.
Hollenbeck, Barry Gerhart, Patrick M. Wright.—Sixth edition.
pages cm
ISBN 978-0-07-771836-7 (alk. paper)
1. Personnel management. I. Title.
HF5549.F86 2016
658.3--dc23

2014041580

The Internet addresses listed in the text were accurate at the time of publication. The inclusion of a website does not indicate an endorsement by the authors or McGraw-Hill Education, and McGraw-Hill Education does not guarantee the accuracy of the information presented at these sites.

In tribute to the lives of Raymond and Mildred Noe
—R.A.N.

To my parents, Harold and Elizabeth, my wife, Patty, and
my children, Jennifer, Marie, Timothy, and Jeffrey
—J.R.H.

To my parents, Robert and Shirley, my wife, Heather, and
my children, Chris and Annie
—B.G.

To my parents, Patricia and Paul, my wife, Mary, and my
sons, Michael and Matthew
—P.M.W.

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He has published more than 60 research articles in journals as well as more than 20 chapters in books and edited volumes. He is the Incoming Editor at the *Journal of Management*. He has coedited a special issue of *Research in Personnel and Human Resources Management* titled “Strategic Human Resource Management in the 21st Century” and guest edited a special issue of *Human Resource Management Review* titled “Research in Strategic HRM for the 21st Century.”

He has conducted programs and consulted for a number of large organizations, including Comcast, Royal Dutch Shell, Kennametal, Astra-Zeneca, BT, and BP. He currently serves as a member on the Board of Directors for the National Academy of Human Resources (NAHR). He is a former board member of HRPS, SHRM Foundation, and World at Work (formerly American Compensation Association). In 2011, 2012, and 2013 he was named by *HRM Magazine* as one of the 20 “Most Influential Thought Leaders in HR.”

Preface

Managing human resources is a critical component of any company's overall mission to provide value to customers, shareholders, employees, and the community in which it does business. Value includes profits as well as employee growth and satisfaction, creation of new jobs, contributions to community programs, and protection of the environment. All aspects of human resource management, including acquiring, preparing, developing, and compensating employees, can help companies meet their daily challenges, create value, and provide competitive advantages in the global marketplace. In addition, effective human resource management requires an awareness of broader contextual issues affecting business, such as the economy, legislation, and globalization.

Both the media and academic research show that effective HRM practices result in greater value for shareholders and employees. For example, the human resource practices at companies such as Google, SAS, The Boston Consulting Group, Edward Jones, and Quicken Loans helped them earn recognition on *Fortune* magazine's recent list of "The Top 100 Companies to Work For." This publicity creates a positive vibe for these companies, helping them attract talented new employees, motivate and retain current employees, and make their products and services more desirable to consumers.

Our Approach: Engage, Focus, and Apply

Following graduation, most students will find themselves working in businesses or not-for-profit organizations. Regardless of position or career aspirations, their role in directly managing other employees or understanding human resource management practices is critical for ensuring both company and personal success. As a result, *Fundamentals of Human Resource Management*, Sixth Edition, focuses on human resource issues and how HR is used at work. *Fundamentals* is applicable to both HR majors and students from other majors or colleges who are taking an HR course as an elective or a requirement.

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

As described in the guided tour of the book that follows, each chapter includes several different pedagogical features. "Best Practices" provides examples of companies whose HR activities work well. "HR Oops!" highlights HRM issues that have been handled poorly. "Did You Know?" offers interesting statistics about chapter topics and

how they play out in real-world companies. “HRM Social” demonstrates how social media and the Internet can be useful in managing HR activities in any organization. “Thinking Ethically” confronts students with issues that occur in managing human resources. For this new edition, we have added questions to each of the features to assist students with critical thinking and to spark classroom discussions.

Fundamentals also assists students with learning “How to” perform HR activities, such as writing effective HR policies, being strategic about equal employment opportunities, and making the most of HR analytics. These are all work situations students are likely to encounter as part of their professional careers. The end-of-chapter cases focus on corporate sustainability (“Taking Responsibility”), managing the workforce (“Managing Talent”), and HR activities in small organizations (“HR in Small Business”).

Organization of the Sixth Edition

Based on user and reviewer feedback, we have made several changes to the chapter organization for the Sixth Edition. The chapter on developing human resources now concludes Part 2, and the chapter on creating and maintaining high-performance organizations has been moved up to open Part 3. We believe these changes will help strengthen the discussion of key concepts.

Part 1 (Chapters 1–4) discusses the environmental forces that companies face in trying to manage human resources effectively. These forces include economic, technological, and social trends; employment laws; and work design. Employers typically have more control over work design than trends and equal employment laws, but all of these factors influence how companies attract, retain, and motivate human resources. Chapter 1 discusses why HRM is a critical component to an organization’s overall success. The chapter introduces HRM practices and the roles and responsibilities of HR professionals and other managers in managing human resources.

Some of the major trends discussed in Chapter 2 include how workers continue to look for employment as the U.S. economy recovers from recession and how the recovery has motivated employees to look for new jobs and career opportunities. The chapter also highlights the greater availability of new and less expensive technologies for HRM, including social media and the Internet; the growth of HRM on a global scale as more U.S. companies expand beyond national borders; the types of skills needed for today’s jobs; and the importance of aligning HRM with a company’s overall strategy to gain competitive advantage. Chapter 3 provides an overview of the major laws affecting employees and the ways organizations can develop HR practices that comply with the laws. Chapter 4 highlights how jobs and work systems determine the knowledge, skills, and abilities that employees need to perform their jobs and influence employees’ motivation, satisfaction, and safety at work. The chapter also discusses the process of analyzing and designing jobs.

Part 2 (Chapters 5–8) deals with acquiring, training, and developing human resources. Chapter 5 discusses how to develop a human resources plan. It emphasizes the strengths and weaknesses of different options for dealing with shortages and excesses of human resources, including outsourcing, use of contract workers, and downsizing. Strategies for recruiting talented employees are highlighted, including use of electronic recruiting sources such as social media and online job sites.

Chapter 6 emphasizes that employee selection is a process that starts with screening applications and résumés and concludes with a job offer. The chapter takes a look at the most widely used methods for minimizing mistakes in choosing employees, including employment tests and candidate interviews. Selection method standards,

such as reliability and validity, are discussed in understandable terms. Chapter 7 covers the features of effective training systems. Effective training includes not only creating a good learning environment but also hiring managers who encourage employees to use training content in their jobs and hiring employees who are motivated and ready to learn. Concluding Part 2, Chapter 8 demonstrates how assessment, job experiences, formal courses, and mentoring relationships can be used to develop employees for future success.

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

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

Part 5 (Chapters 15–16) covers other HR topics including collective bargaining and labor relations and managing human resources on a global basis. Chapter 15 explores HR activities as they pertain to employees who belong to unions or who are seeking to join unions. Traditional issues in labor–management relations such as union membership and contract negotiations are discussed. The chapter also highlights new approaches to labor relations, the growing role of employee empowerment, and the shrinking size of union membership.

Concluding Part 5, Chapter 16 focuses on HR activities in international settings, including planning, selecting, training, and compensating employees who work overseas. The chapter also explores how cultural differences among countries and workers affect decisions about human resources.

New Features and Content Changes

In addition to all new or revised chapter pedagogy, the Sixth Edition of *Fundamentals* contains the following features:

- **New Format for Chapter Summaries:** To help students learn chapter content, the Chapter Summary has been revamped to highlight key points in a bulleted list format for each chapter learning objective.
- **Review Questions Keyed to Learning Objectives:** As a way of pinpointing key concepts, the chapter review questions now tie in to specific chapter learning objectives for quick student reference.

- **Key Terms in Discussion Order:** To assist students in learning important chapter topics, key terms are now listed in discussion order rather than alphabetical order at the end of the chapter. The key terms and definitions are also listed in the end-of-book glossary for additional study.
- **HR in Small Business:** A case has been added to each chapter that highlights some of the HR challenges faced by small businesses.

The following content changes help students and instructors keep current on important HR trends and topics:

- Chapter 1 addresses the new chapter reorganization in Figure 1.1 and Table 1.3. It also discusses a recent trend in which some companies are doing away with separate HR departments, encouraging managers and other employees to handle HR issues as they arise. Table 1.2 has been updated to list the top qualities employers look for in potential employees. Figure 1.3 has been revised to reflect the competencies and example behaviors defined by the Society of Human Resource Management (SHRM). Figure 1.6 has been updated to reflect current median salaries for HRM positions.
- Chapter 2 provides updated workforce statistics, including projections for number of workers over the next several years, as well as a discussion on various age and ethnic groups within the workforce. Chapter figures have been revised to reflect current labor force data. Other trends discussed include which occupations are expected to gain the most jobs in the coming decade. A new section on the trends in cost control and the impact of the Affordable Care Act is touched on and revisited later in the benefits chapter (Chapter 14). New sections on declining union membership and reshoring of jobs back to the United States have been added.
- Chapter 3 has been updated to include a discussion on the Lilly Ledbetter Fair Pay Act and its impact on pay discrimination and employment law. Chapter figures have been updated to reflect current statistics on age discrimination, disability complaints filed under ADA, types of charges filed with the EEOC, and rates of occupational injuries and illnesses. A section has been added about how to keep emergency response workers safe as they aid victims of disasters.
- Chapter 4 includes a new discussion on analyzing teamwork and an updated discussion on the growing trend among companies to encourage telework arrangements with workers.
- Chapter 5's discussion on downsizing, reducing hours, and outsourcing includes new company examples that help students understand how real-world companies deal with the ups and downs of everyday business and decisions relating to human resources.
- Chapter 6 has several topics that have been updated, including the importance of hiring workers who will fit in well with a company's culture; how the legalization of marijuana may impact drug testing as part of the employee selection process; and how companies are changing their approach to subjectivity when it comes to interviewing job candidates.
- In the training chapter (Chapter 7), new examples explore how some companies are thinking differently about training strategies, employing virtual reality, simulations, teamwork exercises, and social media for learning reinforcement and employee motivation.

- Chapter 8 focuses on development and includes an updated section on the use of assessment tools, including the DiSC assessment tool.
- Chapter 9 provides an updated discussion of how HRM practices can contribute to high performance of any organization, including job design, recruitment and selection, training, performance management, and compensation.
- Chapter 10 includes a new discussion on how managers should adjust their approach to performance feedback to the level of performance demonstrated by individual employees.
- Chapter 11 provides an expanded discussion on implementing strategies to ensure a company's discipline system follows procedures consistent for all employees.
- Chapter 12's discussion about earnings data for women, men, and minorities has been updated, as well as the discussion about HRM salaries in various parts of the country. The chapter also contains current statistics about CEO pay and compensation.
- Chapter 13 focuses on recognizing employee contributions with pay, including new real-world examples about how businesses are rethinking their approach to performance bonuses, tying them to company performance, and the increased use of retention bonuses for executives and other key employees as part of company mergers and acquisitions.
- Chapter 14 includes updated data on employee benefits as a percentage of total compensation, Social Security information, and taxes paid by employers and employees. The section on health care benefits, including updates about the Patient Protection and Affordable Care Act, has been revised to include current information and requirements.
- Chapter 15 has been updated with current trends and statistics in union membership. Content on work stoppages and lockouts has been added. New sections focus on increased cooperation between unions and management and highlight several nonunion representation systems currently being used by companies across the country.
- Concluding the Sixth Edition, Chapter 16 highlights trends in managing human resources globally, including the issue of labor relations in various countries, which may impact a company's ability to be successful on foreign soil.

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

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

Acknowledgments

The Sixth Edition of *Fundamentals of Human Resource Management* would not have been possible without the staff of McGraw-Hill Education. Despite the uncertainty surrounding the reorganization at McGraw-Hill, Mike Ablassmeir and Anke Weekes, the editors who worked on this edition of *Fundamentals*, deserve kudos for their laser focus on ensuring

that we continue to improve the book based on the ideas of both adopters and students. Also, we appreciate that they gave us creative license to use new cases and examples in the chapter pedagogy and text to keep *Fundamentals* interesting and current. John Weimeister, our former editor, helped us develop the vision for the book and gave us the resources we needed to develop a top-of-the-line HRM teaching package. Jane Beck's valuable insights and organizational skills kept the author team on deadline and made the book more visually appealing than the authors could have ever done on their own. We would also like to thank Cate Rzasa who worked diligently to make sure that the book was interesting, practical, and readable and remained true to findings of human resource management research. We also thank Michael Gedatus for his marketing efforts for this new edition.

We would like to extend our sincere appreciation to all of the professors who gave of their time to offer their suggestions and insightful comments that helped us to develop and shape this new edition:

| | |
|---|--|
| Glenda Barrett <i>University of Maryland, University College</i> | Liliana Meneses <i>University of Maryland, University College</i> |
| Marian Canada <i>Ivy Tech Community College</i> | Barbara Minsky <i>Troy State University, Dothan</i> |
| Jeanie Douglas <i>Columbia College</i> | Richard Murdock <i>Utah Valley University</i> |
| Joseph Eppolito <i>Syracuse University</i> | Dan Nehring <i>Morehead State University</i> |
| Betty Fair <i>Georgia College and State University</i> | James Phillips <i>Northeastern State University</i> |
| Amy Falink <i>University of Minnesota</i> | David Ripley <i>University of Maryland, University College</i> |
| Lisa Foeman <i>University of Maryland, University College</i> | Rudy Soliz <i>Houston Community College</i> |
| Deborah Good <i>University of Pittsburgh</i> | Gary Stroud <i>Franklin University</i> |
| Jonathon Halbesleben <i>University of Alabama, Birmingham</i> | Gary Thurgood <i>Texas A&M University, College Station</i> |
| Tanya Hubanks <i>Chippewa Valley Technical College</i> | Sheng Wang <i>University of Nevada, Las Vegas</i> |
| Roy Johnson <i>Iowa State University</i> | Donna Wyatt <i>University of Maryland, University College</i> |
| Chris McChesney <i>Indian River State College</i> | Joy Young <i>University of South Carolina, Columbia</i> |
| Garry McDaniel <i>Franklin University</i> | |

Our supplement authors deserve thanks for helping us create a first-rate teaching package. Joyce LeMay of Bethel University wrote the newly custom-designed *Instructor's Manual* and Dr. Connie Sitterly authored the new PowerPoint presentation.

We would also like to thank the professors who gave of their time to review the previous editions through various stages of development.

Michelle Alarcon, Esq.
Hawaii Pacific University

Dr. Minnette A. Bumpus
University of the District of Columbia

Brennan Carr
Long Beach City College/El Camino College

Tom Comstock
Gannon University

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McNeese State University

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engaging.
focused.
applied.

The sixth edition of *Fundamentals of Human Resource Management* continues to offer students a brief introduction to HRM that is rich with examples and engaging in its application.

Please take a moment to page through some of the highlights of this new edition.

Features

Students who want to learn more about how human resource management is used in the everyday work environment will find that the sixth edition is engaging, focused, and applied, giving them the HRM knowledge they need to succeed.

WHAT DO I NEED TO KNOW?

Assurance of learning:

- Learning objectives open each chapter.
- Learning objectives are referenced in the page margins where the relevant discussion begins and are referenced in each Review and Discussion Question at the end of the chapter.
- The chapter summary is written around the same learning objectives and is provided in an easy-to-read bulleted list format.
- Instructor testing questions are tagged to the appropriate objective they cover.

2

Trends in Human Resource Management

What Do I Need to Know?

After reading this chapter, you should be able to:

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

Introduction

Business experts point out that if you want your company to gain an advantage over competitors, you have to do something differently. Some managers are taking a hard look at human resources management, asking if it needs to be a department at all. At the consulting firm LRN Corporation, management decided to eliminate the human resources department. Their idea was that if all managers were responsible for managing talent, they would make those decisions in a way that directly served their group's performance. Beam, the maker of spirits such as Maker's Mark bourbon and Jim Beam whiskey, made its line managers responsible for hiring, training, and making compensation decisions. They are advised by a small group of "business partners," who consult with the line managers on HR questions.¹ Is this the end of human resource management? Probably not. The typical company today is maintaining the size of its human resource department and even spending a little more on the function.² At LRN, current and former employees have said line managers sometimes struggle with making HR decisions. For example, a line manager needs time to figure out how to define a job and set a salary range for it, which slows down the whole hiring process. At Beam, the HR business partners are playing a more strategic role than a traditional HR staffer focused on routine processes.



HR Oops!

Less Helpful than a Search Engine?

A lot of managers are disappointed in the support they get from their HR teams, according to a survey by the Hay Group, a global consulting firm. The survey questioned line managers and HR directors in China, the United Kingdom, and the United States about their working relationships. The results suggest that those relationships are often strained.

HR directors reported being challenged by cutbacks in their department. One-third said they spend 21% to 50% of their time responding to inquiries from managers, and three-fourths said line managers want immediate responses. For their part, 41% of line managers in the United States said the HR department is too

slow in responding, and 47% said they could make decisions better and faster if they had more information from the department. An embarrassing 29% rated Google above the HR department for providing pertinent information.

Hay's consultants suggest that human resource managers need to focus on how they can empower line managers by providing them with easy access to relevant information.

Questions

1. Suggest one way that HR managers might improve their helpfulness to line managers

2. Suggest one way that line managers can improve communications with HR managers, so they get the support they need.


Sources: Laurence Doo, "Relationship between Line Managers and HR under Increasing Strain, Hay Group Finds," HR Magazine (UK), November 21, 2013, <http://www.hrmagazine.co.uk>; Hay Group, "More Managers Turn to Google for HR Information," Business Wire, November 20, 2013, <http://www.businesswire.com>; Philip Spriet, "Power On: From Passing the Buck to Activating the Line," Hay Group Blog, October 16, 2013, <http://blog.haygroup.com>.



HR Oops!

Engage students through examples of companies whose HR departments have fallen short. Discussion questions at the end of each feature encourage student analysis of the situation. Examples include "Few Companies Are Prepared for Future Talent Needs," "401(k) Plans Are a Missed Opportunity for Many," and "Cross-Cultural Management Mishaps."

UPDATED!



Best Practices

Outsourcing Enriches the Bottom Line for Land O'Lakes

Land O'Lakes is an example of a company that has successfully reduced costs by outsourcing human resource activities. Best known for its butter and other dairy products, the company is a food and agriculture cooperative owned by the farmers who participate in the business. The co-op's 10,000 employees work toward a strategy of delivering strong financial performance for its farmer-owners while providing programs and services that help the farmers operate more successfully.

In support of that strategy, Pam Grove, the senior director of benefits and HR operations, led Land O'Lakes to outsource the administration of employee benefits. Management determined that benefits administration was not an activity that contributed to the company's strategy, and Land O'Lakes already had successfully used an outside firm to administer its 401(k) retirement savings plan. So Grove arranged to have a firm administer its health insurance and pension plans as well.


Outsourcing achieved the basic goal of reducing costs, but that was not the only advantage. Grove freed up time for focusing on strategy-related activities, and she says the outsourcing arrangement also has improved service to employees.

When the company tackled health benefit costs by offering a high-deductible health plan, which shifts spending decisions to employees, Grove and her staff visited 100 Land O'Lakes locations to explain the new option. Employee enrollment was double her expectations, helping the company save millions of dollars while keeping employees satisfied with their benefits.

Questions

1. When does outsourcing make strategic sense for an organization such as Land O'Lakes?
2. How does Grove ensure that a cost-conscious practice such as outsourcing is well received by employees?

Sources: Land O'Lakes Inc., "Company," <http://www.landolakes.com>, accessed April 22, 2014; Land O'Lakes Inc., "Careers," <http://www.landolakes.com/careers>, accessed April 22, 2014; Susan J. Wells, "Benefits Strategies Grow: And HR Leads the Way," *HR Magazine*, March 2013.



Engage students through examples of companies whose HR departments are working well. Examples include "Morton Salt's Prize-Winning Safety Program," "Employees Are Quicken Loans' Most Valuable Asset," and "Machinists and Steelworkers Unions Help Harley-Davidson Get Lean."



HR How To

Providing HR Services on Mobile Devices

Software companies are creating apps that let employees view their pay stubs, request time off, check the amounts of their bonuses, fill out and approve time sheets, look up coworkers in company directories, and more. At the same time, a growing number of employees expect to be able to use their mobile devices for looking up work-related information. Given the possibility of and pressure for mobile HRM, here are some guidelines for making it work.

- Learn which mobile devices employees are using. Make sure applications will run properly on all the devices.
- Set priorities for introducing mobile applications that support your company's strategy.
- Make sure your company has mobile-friendly versions of its careers website. Many of today's job hunters are looking for leads on their mobile devices, and they expect to be able to submit an application that way.
- If your company uses online training, create versions that run well on mobile devices.
- Select vendors that not only have software for existing mobile devices but also will be flexible as hardware changes. Check references to find out whether vendors have a history of keeping up with changing technology.
- Investigate the security protection built into any app you are considering.
- Test mobile HRM apps to be sure they are easy to use and understand.


Questions

1. How could offering a mobile version of its careers website support an organization's strategy?
2. What could be an advantage of using a software vendor for mobile HR apps, instead of having your organization's employees create the apps?

Sources: Dave Zalinski, "The Mobilization of HR Tech," *HR Magazine*, February 2014; Business Insights Global, <http://bizinsights.com/Jennifer-Alexander>, "Objective: Hire Top Talent," *Fortune*, January 23, 2014, <http://money.com.com>; Tom Kuebler, "New Considerations for HR Service Delivery Success: Where to Begin?" *Workforce Solutions Review*, December 2013, pp. 17-19.



Engage students through specific steps to create HRM programs and tackle common challenges. Examples include "Writing Effective HR Policies," "Providing HR Services on Mobile Devices," and "Complying with the Affordable Care Act."



HRM Social

What Social-Media Policies Are Suitable across Generations?

Some managers believe organizations need policies restricting employees' access to social media such as Twitter and Facebook. Their belief is based on the assumption that using social media is merely a distraction from doing real work. However, the research evidence for this assumption is mixed—and the impact of social media may vary across generations of workers.


Some studies simply ask employees for their opinions about their access to social media. A survey of Canadian workers found that almost two-thirds have been distracted by social media, e-mail, or Web browsing. One-third reported losing more than an hour a day in "checking e-mail and social media."

Another study, conducted by the Warwick Business School, in the United Kingdom, measured output instead of opinions. According to the researchers, using social media was associated with "greater productivity." The two-year study of employees at a telecommunications company found that they were more productive when they used social media to communicate with customers. The


Questions

1. Thinking about your current job or a job you would like to have, would access to social media help or distract you? Do you think your age plays a role in your opinion? Why?
2. How could human resource management support decisions about creating a policy for using social media?

Sources: Thomson Reuters, "Two-Thirds of Workers Distracted by Emails, Internet, Social Media, Survey," *Canadian HR Reporter*, April 17, 2014, <http://www.hraporter.com>; Shea Bennett, "Social Media Increases Office Productivity, but Management Still Resistant," *Says Study*, *MediaBistro*, June 26, 2013, <http://www.mediaBistro.com>; Bernhard Warner, "When Social Media at Work Doesn't Create



Engage students through examples of how HR departments use social media as part of their daily activities. Examples include "The Discrimination Risk of Using Social Media in Hiring," "Salary Talk Is Trending," and "Social Support for Getting Healthy."



Did You Know?

Half of U.S. Employees Interested in Changing Jobs

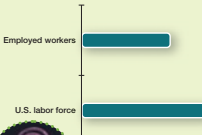
Half of employed workers are looking for a new job or would welcome an offer, according to a U.S. survey by the Jobvite software company. Looking at both employed and unemployed workers, Jobvite found that 71% are actively seeking or open to a new job. Jobvite's CEO notes that workers with mobile devices are looking for jobs "all the time."

Question


What challenges and opportunities do employers face in a climate where half of an organization's employees feel ready to leave?

Sources: Bureau of National Affairs, "Half of Workers Open to or Actively Seeking New Job," *Jobvite Survey Finds*, *HR Focus*, March 2014, p. 16; Daniel Wainberg Birt, "Study: Most U.S. Workers Willing to Quit," *Society for Human Resource Management*, February 20, 2014, <http://www.shrm.org>; company website, "Jobvite Seeking Nation Study," 2014, <http://recruiting.jobvite.com>.

Workers Seeking or Open to a New Job



| Category | Percentage |
|------------------|------------|
| Employed workers | 50% |
| U.S. labor force | 71% |



Engage students through interesting statistics related to chapter topics. Examples include "Half of U.S. Employees Interested in Changing Jobs," "Selection Decisions Affect the Bottom Line," and "Employers Stress Merit Pay to Retain Workers."

Features

Focused on ethics. Reviewers indicate that the Thinking Ethically feature, which confronts students in each chapter with an ethical issue regarding managing human resources, is a highlight. This feature has been updated throughout the text.

THINKING ETHICALLY

HOW SHOULD EMPLOYERS PROTECT THEIR DATA ON EMPLOYEES' DEVICES?

One area in which business managers might consult with HR managers involves the treatment of company data on employees' electronic devices. In the past, organizations stored their data on their own hardware. But laptop computers and, more recently, tablet computers and smartphones make it possible for employees to carry around data on these mobile devices. Increasingly often, the devices are not even owned by the company, but by the employees themselves. For example, an employee's smartphone might include business as well as personal contacts in several mobile apps.

The situation is convenient for everyone until something goes wrong: a device is lost, an employee becomes upset with a manager, or the organization lays off some workers. From the standpoint of protecting data, the obvious solution is to remove the data from the devices. So far, no law forbids this. However, it has consequences for the employees. Remotely wiping data from a device will remove all of it, including the user's personal data, such as photos and addresses.

Companies are addressing concerns by crafting security policies for employees who want to use their own devices for work-related tasks such as e-mail. Typically, the policy requires the employee to download a program for mobile device management. If specified

conditions arise, such as loss of the device or termination of the employee, the company can use the software to send the device a message that wipes out all the data stored on the device. The company also can give the employee some notice, allowing time to save personal data, but this increases the risk to the company. Some employees have complained about their phones being unexpectedly erased after they left a company. They admit they might have been given a link to terms and conditions but tend not to read the terms of using a program such as company e-mail.

Questions

1. Imagine you work in the human resources department of a company considering a policy to protect its data on employees' mobile devices. In advising on this policy, what rights should you consider?
2. What advice would you give or actions would you take to ensure that the policy is administered fairly and equitably?

Sources: "Using Your Personal Phone for Work Could Cost You," CBS Miami, March 26, 2014, <http://miami.cbslocal.com>; Lauren Weber, "BYOD? Leaving a Job Can Mean Losing Photos of Grandma," *Wall Street Journal*, January 21, 2014, <http://online.wsj.com>; Society for Human Resource Management, "Safety and Security Technology: Can an Employer Remotely Wipe Back an Employee's Personal Cell Phone?" SHRM Knowledge Center, November 5, 2013, <http://www.shrm.org>.

REVIEW AND DISCUSSION QUESTIONS

1. What is the role of each branch of the federal government with regard to equal employment opportunity? (LO 3-1)
2. For each of the following situations, identify one or more constitutional amendments, laws, or executive orders that might apply. (LO 3-2)
 - a. A veteran of the Vietnam conflict experiences lower-back pain after sitting for extended periods of time. He has applied for promotion to a supervisory position that has traditionally involved spending most of the workday behind a desk.
 - b. One of two female workers on a road construction crew complains to her supervisor that she feels uncomfortable during breaks, because the other employees routinely tell off-color jokes.
 - c. A manager at an architectural firm receives a call from the local newspaper. The reporter wonders how the firm wishes to respond to calls from two of its employees alleging racial discrimination. About half of the firm's employees (including all of its partners and most of its architects) are white. One of the firm's clients is the federal government.
3. For each situation in the preceding question, what actions, if any, should the organization take? (LO 3-4)
4. The Americans with Disabilities Act requires that employers make reasonable accommodations for individuals with disabilities. How might this requirement affect law enforcement officers and firefighters? (LO 3-4)
5. To identify instances of sexual harassment, the courts may use a "reasonable woman" standard of what constitutes offensive behavior. This standard is based on the idea that women and men have different ideas of what behavior is appropriate. What are the implications of this distinction? Do you think this distinction is helpful or harmful? Why? (LO 3-5)
6. Given that the "reasonable woman" standard referred to in Question 5 is based on women's ideas of what is appropriate, how might an organization with mostly male employees identify and avoid behavior that could be found to be sexual harassment? (LO 3-5)
7. What are an organization's basic duties under the Occupational Safety and Health Act? (LO 3-6)
8. OSHA penalties are aimed at employers, rather than employees. How does this affect employee safety? (LO 3-7)
9. How can organizations motivate employees to promote safety and health in the workplace? (LO 3-8)
10. For each of the following occupations, identify at least one possible hazard and at least one action employees could take to minimize the risk of an injury or illness related to that hazard. (LO 3-8)
 - a. Worker in a fast-food restaurant
 - b. Computer programmer
 - c. Truck driver
 - d. House painter

Apply the concepts in each chapter through comprehensive review and discussion questions, which are now keyed to chapter learning objectives.

MANAGING TALENT

Netflix Treats Workers "Like Adults"

When Patty McCord talks about human resource management at Netflix, she refers to treating people "like adults." McCord, until recently the company's chief talent officer, means the company hires people who are mature enough to take responsibility and then simply gives them responsibility. The result, McCord insists, is that employees live up to what is expected of them. If not, the company feels free to find someone else. That direct approach makes sense to the knowledge workers who populate the results-oriented, data-respecting world of information technology.

When McCord was at Netflix, she and CEO Reed Hastings settled on five principles that would direct the company's approach to human resource management:

1. Hire, reward, and keep only "fully formed adults." For McCord and Hastings, such employees use common sense, address problems openly, and put company interests ahead of their own. People like this need not be managed with endless policies. Rather, the company can trust them to take off time when they need it and spend money appropriately. The employees also are literally adults; Netflix favors hiring experienced workers over recruiting at colleges.
2. Tell the truth about performance. Managers are expected to make performance feedback part of their routine conversations with employees. If an employee is no longer working out, managers are supposed to let him or her know directly, offering a good severance package to smooth a dignified path to the exit.

4. The company's leaders must create the company culture. Netflix executives are supposed to model behaviors such as truth-telling and treating people like adults.
5. HR managers should think of themselves first as businesspeople. As chief talent manager, McCord focused on the company's financial success and products, not on employee morale. She assumed that if employees, as adults, were able to make Netflix a high-performance organization and be compensated fairly, that would improve morale more than anything.

To put these principles into action, Netflix rewards high-performing employees with fair pay and a flexible schedule. Employees who do not perform up to standards are asked to leave. Rewarding high performance, in fact, makes it easier to allow flexibility and empowerment, because managers do not have to police every action and decision. It also creates an environment in which employees do not assume they have a Netflix job forever. Rather, they are responsible for doing good work and developing the skills that continue to make them valuable to their employer. Netflix's approach to talent helps the company stay agile—perhaps agile enough to withstand the shifting winds of entertainment in the digital age.

Questions

1. How well suited do you think Netflix's principles are to managing the knowledge workers (mainly software engineers) who work for Netflix? Explain.
2. What qualities of Netflix support the idea that it is a high-performance organization? What other qual-

Apply concepts in each chapter through three cases that focus on corporate sustainability, talent management, and HR in small business. These cases can be used as the basis for class lectures, and the questions provided at the end of each case are suitable for assignments or discussion.

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Across the country, instructors and students continue to raise an important question: How can Human Resource Management courses further support students throughout the learning process to shape future business leaders? While there is no one solution, we see the impact of new learning technologies and innovative study tools that not only fully engage students in course material but also inform instructors of the students' skill and comprehension levels.

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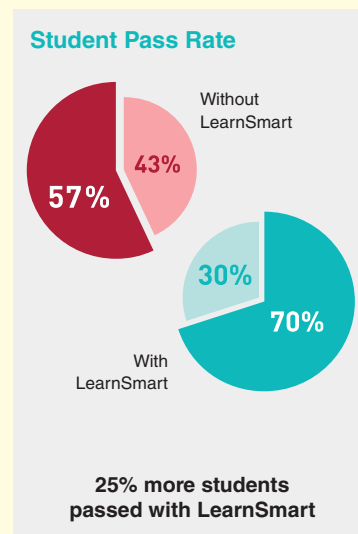
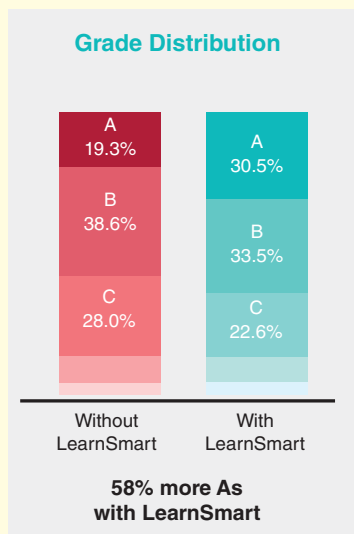


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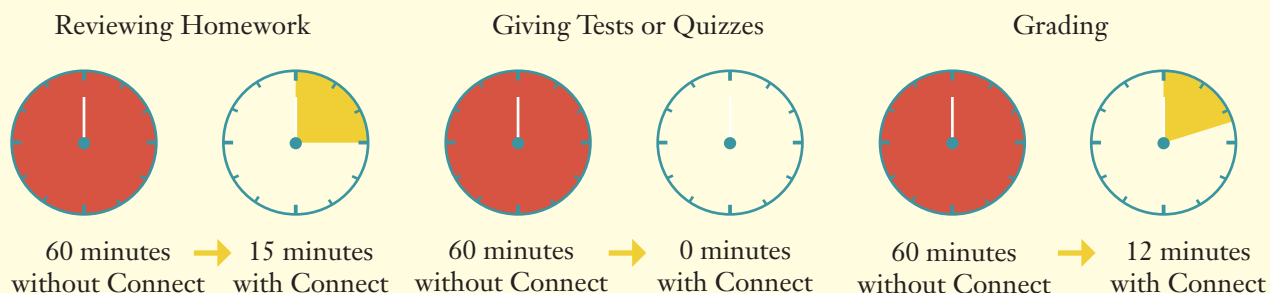
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Instructor at Hinds Community College

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Many educational institutions today focus on the notion of *assurance of learning*, an important element of some accreditation standards. *Fundamentals of Human Resource Management* is designed specifically to support instructors' assurance of learning initiatives with a simple yet powerful solution. Each test bank question maps to a specific chapter learning objective listed in the text. Instructors can use our test bank software, EZ Test and EZ Test Online, to easily query for learning objectives that directly relate to the learning outcomes for their course. Instructors can then use the reporting features of EZ Test to aggregate student results in similar fashion, making the collection and presentation of assurance of learning data simple and easy.

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The Human Resource Environment

CHAPTER **1**

Managing Human Resources

CHAPTER **2**

Trends in Human Resource Management

CHAPTER **3**

Providing Equal Employment Opportunity and a Safe Workplace

CHAPTER **4**

Analyzing Work and Designing Jobs

1

Managing Human Resources

What Do I Need to Know?

After reading this chapter, you should be able to:

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

Introduction

Sarah Koustrup calls her position at National Hospitality Services (NHS) in Fargo, North Dakota, “a job with a lot of meaning.” NHS, which operates more than a dozen hotels, hired Koustrup to be its director of human resources. In that role, Koustrup puts into action the chief executive’s vision of a company treating its employees well so they in turn will treat customers well. She works directly with the CEO and has input on all areas of the business.

Josephine Simmons also believes her work matters. Simmons, another director of human resources, works for SatCom Marketing in Brooklyn Park, Minnesota. The telemarketing firm hired her to build a human resources department from the ground up. SatCom’s chief executive also wanted Simmons to improve the company’s culture, a challenge that requires skills in creating enthusiasm about change.

Koustrup and Simmons are enthusiastic about their function: finding great people and creating the conditions that enable those people to help a company succeed in its mission. The significance of this work helps explain why, in a recent pair of surveys, human resources professionals were more likely than employees overall to say they are satisfied with their current job. Workers in this field also appreciate the variety in the skills they use and projects they tackle.¹



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

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

Human Resource Management (HRM)

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

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

Human Resources and Company Performance

Managers and economists traditionally have seen human resource management as a necessary expense, rather than as a source of value to their organizations. Economic value is usually associated with *capital*—cash, equipment, technology, and facilities. However, research has demonstrated that HRM practices can be valuable.³ Decisions such as whom to hire, what to pay, what training to offer, and how to evaluate

Figure 1.1

Human Resource Management Practices



employee performance directly affect employees' motivation and ability to provide goods and services that customers value. Companies that attempt to increase their competitiveness by investing in new technology and promoting quality throughout the organization also invest in state-of-the-art staffing, training, and compensation practices.⁴

Human Capital

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

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

In the United States, low-price retailers are notorious for the ways they keep labor costs down. They pay low wages, limit employees to part-time status (providing little or no employee benefits), and make last-minute adjustments to schedules so staffing is minimal when store traffic is light. Retailing expert Zeynep Ton has studied retailers that invest more in employees—paying higher wages and offering full-time schedules, greater training, and more opportunity for advancement. Ton has found that these stores tend to enjoy higher sales and greater profitability. At Costco, for example, employees earn about 40% more than at the company's main competitor, Sam's Club, and most store managers are promoted from within. Costco's sales per square foot are almost double those of Sam's Club, and its rating in the American Customer Satisfaction Index is comparable to that of the prestigious Nordstrom chain. The QuikTrip chain of convenience stores trains employees to handle a wide variety of tasks, from brewing coffee to ordering merchandise and cleaning restrooms. Instead of sending employees home when traffic is slow, QuikTrip expects them to handle tasks other

Figure 1.2

Impact of Human Resource Management



than selling. Employees have predictable schedules, stay busy throughout their shift, and sell 66% more per square foot than the average convenience store. In these and other chains that see employees as more than just an expense, retailers are outperforming their competitors.⁵

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

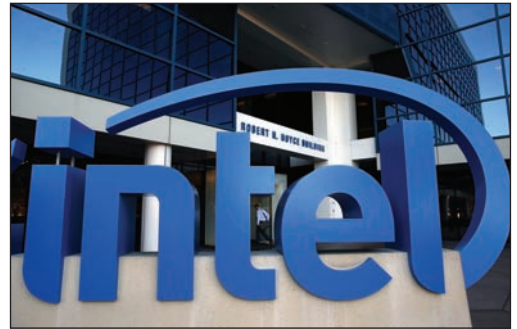
- Human resources are *valuable*. High-quality employees provide a needed service as they perform many critical functions.
- Human resources are *rare* in the sense that a person with high levels of the needed skills and knowledge is not common. An organization may spend months looking for a talented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

These qualities imply that human resources have enormous potential. An organization realizes this potential through the ways it practices human resource management.

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

Responsibilities of Human Resource Departments

In all but the smallest organizations, a human resource department is responsible for the functions of human resource management. On average, an organization has one or two full-time HR staff persons for every hundred employees on the payroll.⁶ One way



At Intel, the company's focus is on keeping employees loyal, trained, and compensated. In turn, there is a low turnover rate and a high degree of customer satisfaction.

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

to define the responsibilities of HR departments is to think of HR as a business within the company with three product lines⁷:

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

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

Although the human resource department has responsibility for these areas, many of the tasks may be performed by supervisors or others inside or outside the organization. No two human resource departments have precisely the same roles because of differences in organization sizes and characteristics of the workforce, the industry, and management’s values. In some companies, the HR department handles all the activities listed in Table 1.1. In others, it may share the roles and duties with managers of other departments such as finance, operations, or information

Table 1.1
Responsibilities of HR Departments

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

Sources: Bureau of Labor Statistics, “Human Resources Managers,” *Occupational Outlook Handbook, 2014–2015*, January 8, 2014, <http://www.bls.gov/ooh>; SHRM-BNA Survey No. 66, “Policy and Practice Forum: Human Resource Activities, Budgets, and Staffs, 2000–2001,” *Bulletin to Management*, Bureau of National Affairs Policy and Practice Series (Washington, DC: Bureau of National Affairs, June 28, 2001).

technology. In some companies, the HR department actively advises top management. In others, the department responds to top-level management decisions and implements staffing, training, and compensation activities in light of company strategy and policies. And, in a recent trend, some companies are doing away with their HR departments altogether, preferring to flatten their organizational structure and to encourage department managers and other employees to handle HR issues as they arise.⁸

Let's take an overview of the HR functions and some of the options available for carrying them out. Human resource management involves both the selection of which options to use and the activities involved with using those options. Later chapters of the book will explore each function in greater detail.



Home Depot and other retail stores use in-store kiosks similar to the Career Center shown here to recruit applicants for employment.

Analyzing and Designing Jobs

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

Job analysis is the process of getting detailed information about jobs. **Job design** is the process of defining the way work will be performed and the tasks that a given job requires.

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

Recruiting and Hiring Employees

Based on job analysis and design, an organization can determine the kinds of employees it needs. With this knowledge, it carries out the function of recruiting and hiring employees. **Recruitment** is the process through which the organization seeks applicants for potential employment. **Selection** refers to the process by which the organization attempts to identify applicants with the necessary knowledge, skills, abilities, and other characteristics that will help the organization achieve its goals. An organization makes selection decisions in order to add employees to its workforce, as well as to transfer existing employees to new positions.

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

Job Analysis

The process of getting detailed information about jobs.

Job Design

The process of defining the way work will be performed and the tasks that a given job requires.

Recruitment

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

Selection

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

Table 1.2

Top Qualities Employers Look For in Employees

1. Teamwork skills
2. Decision making, problem solving
3. Planning, prioritizing tasks
4. Verbal communication skills
5. Gathering/processing information

Source: Based on National Association of Colleges and Employers, “The Candidate Skills/Qualities Employers Want,” news release, October 10, 2013, <http://www.naceweb.org>.

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

Training and Developing Employees

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

Decisions related to training and development include whether the organization will emphasize enabling employees to perform their current jobs, preparing them for future jobs, or both. An organization may offer programs to a few employees in whom the organization wants to invest, or it may have a philosophy of investing in the training of all its workers. Some organizations, especially large ones, may have extensive formal training programs, including classroom sessions and training programs online. Other organizations may prefer a simpler, more flexible approach of encouraging employees to participate in outside training and development programs as needs are identified. For an example of a company where decisions about training and other HR practices are aimed at success in a tumultuous global environment, see the “Best Practices” box.

Managing Performance

Managing human resources includes keeping track of how well employees are performing relative to objectives such as job descriptions and goals for a particular position. The process of ensuring that employees’ activities and outputs match the organization’s goals is called **performance management**. The activities of performance management include specifying the tasks and outcomes of a job that contribute to the

Training

A planned effort to enable employees to learn job-related knowledge, skills, and behavior.

Development

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

Performance Management

The process of ensuring that employees’ activities and outputs match the organization’s goals.



Best Practices

How Abbott Laboratories Creates a Healthy Business

Anant Jain left a job at a consumer goods company to work for the finance department of Abbott Laboratories. It was a step that would propel him up the management ranks. Abbott paid for Jain to earn an MBA, including the skills necessary for making financial forecasts. Before long, Jain was ready to move to Dubai in the United Arab Emirates to take charge of financial planning for the Middle Eastern region.

Jain's story is hardly unique. Abbott's business strategy is based on hiring talented people and helping them develop their careers as they gain skills that increase their value to the company. When new employees join Abbott, the human resources department helps them set short-term goals and map out a career path. Reviews of employees' performance consider whether the employees are on track. Further

development comes from a combination of on-the-job learning, training programs, and support from mentors.

Jain was hired by Abbott's subsidiary in India, but the commitment to employee growth and development is part of Abbott's global strategy. The company operates in more than 150 countries. Its industry—medical devices and (outside the United States) pharmaceuticals—undergoes constant change from innovation and regulation. To stay at the forefront of knowledge while remaining profitable in a turbulent industry, Abbott needs a special kind of employee who is flexible, open to change, and committed to excellence. Along with careful hiring and commitment to training, Abbott recruits and retains talent with efforts such as a mentoring program, surveys of employees, and in

the United States, aid in translating veterans' military skills into career-related skills relevant to the civilian sector.

Questions

1. How could a company such as Abbott benefit from sending an employee to school to study finance or another business subject?
2. How do you think hiring and training could work hand-in-hand to help a company such as Abbott meet its business objectives?

Sources: Company website, "Careers and Opportunities," <http://www.abbott.com>, accessed April 8, 2014; Abbott India Ltd., "About Us," <http://www.abbott.co.in>, accessed April 8, 2014; Suprotip Ghosh, "What the Doctor Ordered," *Business Today*, August 4, 2013, pp. 78, 80.

organization's success. Then various measures are used to compare the employee's performance over some time period with the desired performance. Often, rewards—the topic of the next section—are developed to encourage good performance.

The human resource department may be responsible for developing or obtaining questionnaires and other devices for measuring performance. The performance measures may emphasize observable behaviors (for example, answering the phone by the second ring), outcomes (number of customer complaints and compliments), or both. When the person evaluating performance is not familiar with the details of the job, outcomes tend to be easier to evaluate than specific behaviors.⁹ The evaluation may focus on the short term or long term and on individual employees or groups. Typically, the person who completes the evaluation is the employee's supervisor. Often employees also evaluate their own performance, and in some organizations, peers and subordinates participate, too.

Planning and Administering Pay and Benefits

The pay and benefits that employees earn play an important role in motivating them. This is especially true when rewards such as bonuses are linked to the individual's or group's achievements. Decisions about pay and benefits can also support other aspects of an organization's strategy. For example, a company that wants to provide an