

Fundamentals of
**HUMAN RESOURCE
MANAGEMENT**

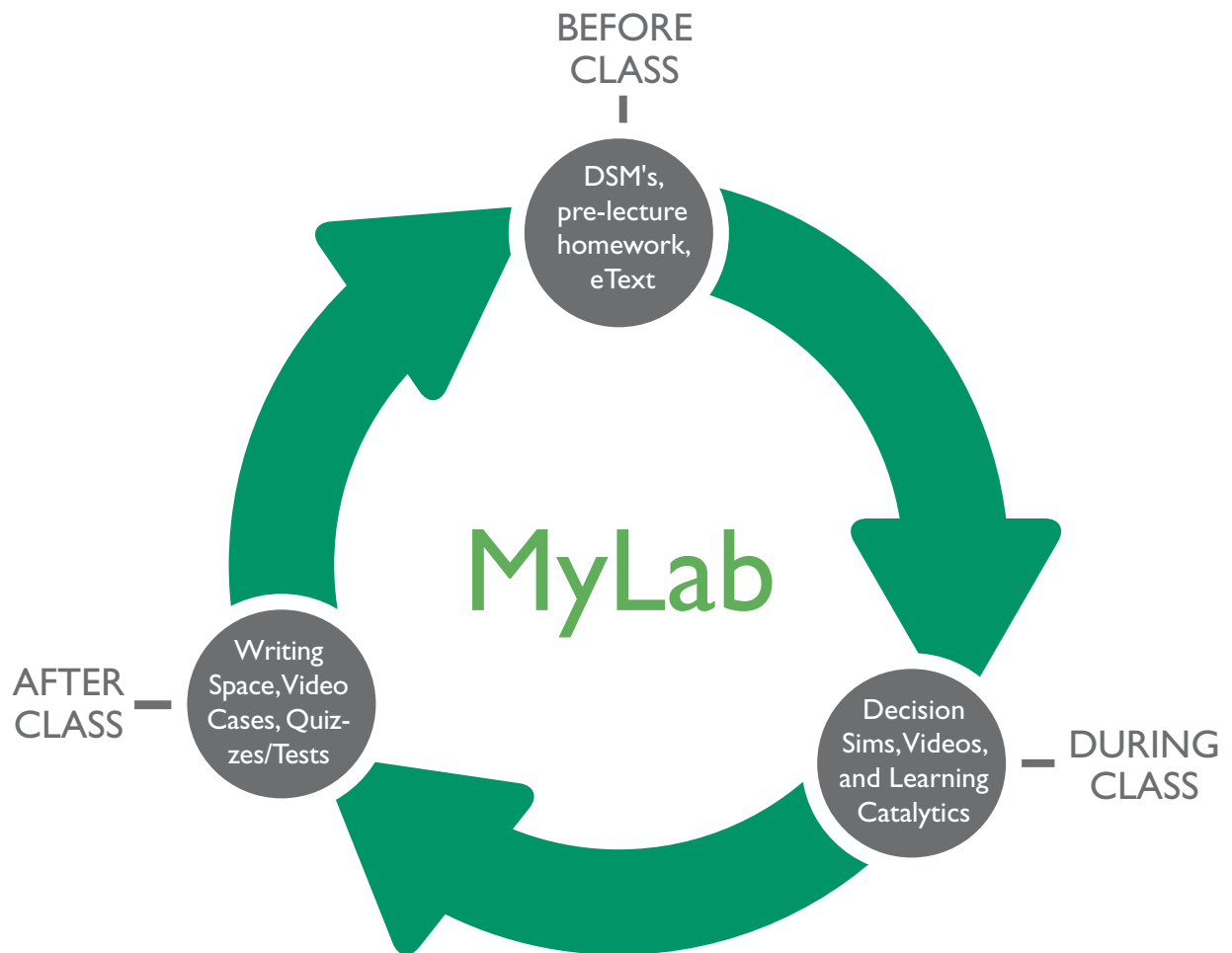
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A photograph of three hikers ascending a steep, rocky hillside. They are using blue ropes to assist each other. The hiker at the bottom is wearing a red jacket and tan pants. The middle hiker is wearing a white jacket and dark pants. The hiker at the top is wearing a green jacket and light-colored pants. They are all wearing backpacks and appear to be in a rugged, natural setting.

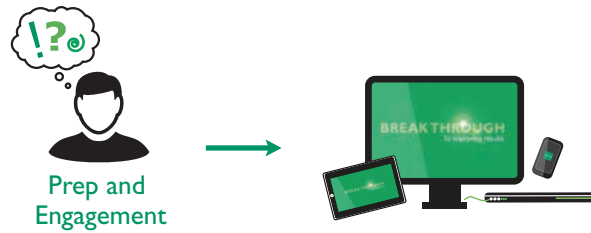
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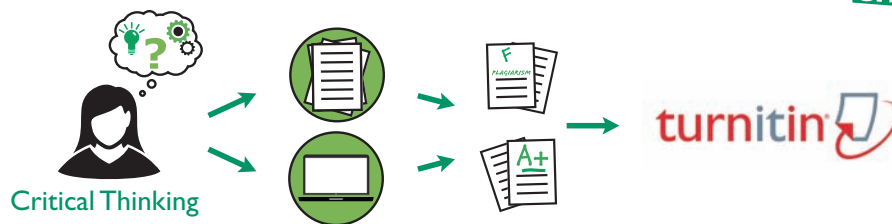
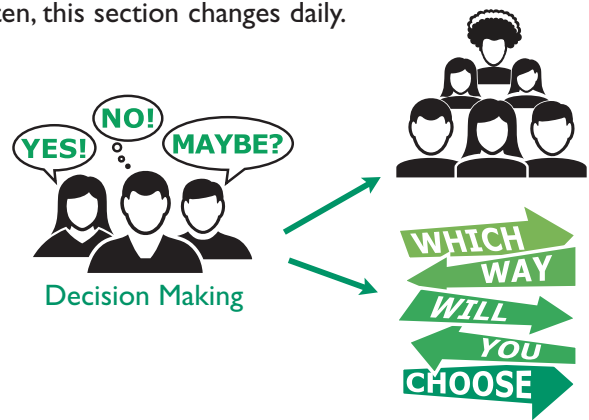


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HR Strategy Model



The HR Strategy Model in the Part opener illustrates the basic idea behind strategic human resource management, which is that *in formulating human resource management policies and practices, the aim must be to produce the employee competencies and behaviors that the company needs to achieve its strategic goals.*

FOURTH EDITION

Fundamentals of Human Resource Management



Gary Dessler

Florida International University

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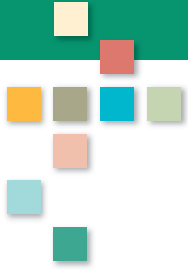
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This book is dedicated to Taylor

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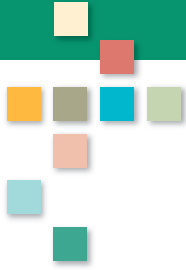
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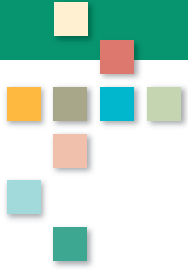
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Preface

Fundamentals of Human Resource Management, 4th edition, covers the full range of human resource management topics in a streamlined 14-chapter format. As this fourth edition goes to press, I feel even more strongly than I did when the first edition was published that all managers—not just human resource managers—need a strong foundation in human resource management concepts and techniques to do their jobs. I therefore wrote *Fundamentals* for all students of management, not just those who will someday carry the title Human Resource Manager and, in this new edition, added more practical techniques and real company examples. With 14 comprehensive chapters covering all major HRCI (SHRM) topics, and two end-of-book modules, I wrote this book to compete with 16-chapter introductory *Human Resource Management* textbooks, as well as with books titled *Fundamentals of Human Resource Management*.

This 4th edition has several distinguishing characteristics. While it again focuses almost entirely on essential personnel management topics like job analysis, testing, compensation, and appraisal, *fostering employee engagement* is used as an integrating theme throughout the chapters. **Employee Engagement Guide for Managers** features show how managers use human resource practices to boost employee engagement. Practical skills applications—such as how to appraise performance, how to establish a simple pay plan, and how to handle grievances—are used throughout to provide students with important management skills. Because all managers have personnel-related responsibilities, *Fundamentals of Human Resource Management*, 4th edition, is, as noted, aimed at all students of management, not just those who will someday carry the title Human Resource Manager. **Building Your Management Skills** features highlight managerial HR skills. The legal environment of human resource management—equal employment, labor relations, and occupational safety—is covered fully, with practical chapter-specific implications for managers in **Know Your Employment Law** features in most chapters. A continuing case illustrates the front-line supervisor’s role in human resource management. Chapter 12 shows how “Best Companies to Work For” actually cultivate positive employee relations. Knowledge Base icons flag topics addressed by the HR Certification Institute’s PHR® and SPHR® Knowledge Base.

THE REVISION

In revising this textbook, I of course wanted to update the chapters and include all the changes while ensuring that the switch by adopters from the 3rd to the 4th edition would be hassle free. So, for example, numbered questions in the boxed features and separate “A-head” *Employee Engagement Guide for Managers* sections allow adopters to choose (if they so desire) which features they want to assign. The book’s main new items include:

New: Employee Engagement Guide for Managers

Employee engagement refers to being psychologically involved in, connected to, and committed to getting one’s jobs done. Recent surveys show that about 70% of employees are disengaged at work. I use new *Employee Engagement Guide for Managers* sections in Chapters 3–14 to show how managers use human resource activities to improve employee engagement. For example, Chapter 3’s Guide shows how Kia Motors (UK) improved employee engagement, Chapter 6’s Guide shows how Toyota uses a total selection program to improve engagement, and Chapter 12’s Guide shows how “Great Companies to Work For” like Google and SAS develop the positive employee relations that help foster employee engagement.

New: Building Your Management Skills

Building Your Management Skills features throughout the book help to show students and managers how to apply what they’ve learned, such as how to conduct an effective

employment interview, create an actual pay scale/pay plan for a company, and discipline an employee.

New: Know Your Employment Law

The new *Know Your Employment Law* sections in most chapters show the practical implications of the employment laws that apply to that chapter's topics, such as the laws relating to recruitment (Chapter 5), selection (Chapter 6), training (Chapter 7), and safety (Chapter 14).

New: HR in Practice Company Illustrations

You'll find many more actual company examples in this edition. The 3rd edition had several boxed *HR in Practice* features; I added more of these in this 4th edition, to show how companies such as Zappos (strategic HR management) and Honda (selecting employees) actually implement their HR practices.

New: Building Positive Employee Relations

Employee relations is the managerial activity that involves establishing and maintaining the positive employee–employer relationships that contribute to satisfactory productivity, motivation, morale, and discipline, and to maintaining a positive, productive, and cohesive work environment. Most human resource management survey books include Employee Relations as a section heading or chapter heading, but usually don't show how managers actually develop and maintain positive employee relations. I expanded Chapter 12 (Maintaining Positive Employee Relations) to do so.

New: Sustainability and HRM

In a world where sea levels are rising, glaciers are crumbling, and increasing numbers of people view financial inequity as outrageous, more and more people say that businesses can't just measure "performance" in terms of maximizing profits. This 4th edition contains all-new material on sustainability and on the roles of HR management in implementing companies' sustainability efforts.

New: Treatment of Global HR, and Small Business HR Management

In the previous 3rd edition, two end-of-book modules, *Managing HR Globally*, and *Managing Human Resources in Small and Entrepreneurial Firms*, contained most of the material on global human resource management, and on small business human resource management. In this new 4th edition, I moved much of the global HR material from the *Managing HR Globally* module to new *Managing HR around the Globe* boxed features throughout the book, and similarly moved much of the small business HR management material from the small business module to new *HR Tools for Line Managers and Small Businesses* boxed features throughout the book. The two modules remain in the 4th edition, but now focus more on strictly supportive and supplementary material, such as how international cultural differences influence global human resource management.

MYMANAGEMENTLAB SUGGESTED ACTIVITIES

For the 4th edition the author is excited that Pearson's MyManagementLab® has been integrated fully into the text. These new features are outlined below. Making assessment activities available on line for students to complete before coming to class will allow you the professor more discussion time during the class to review areas that students are having difficulty in comprehending.

Learn It

Students can be assigned the Chapter Warm Up before coming to class. Assigning these questions ahead of time will ensure that students are coming to class prepared.

Watch It

Recommends a video clip that can be assigned to students for outside classroom viewing or that can be watched in the classroom. The video corresponds to the chapter material and is accompanied by multiple choice questions that reinforce student's comprehension of the chapter content.

Try It

Recommends a mini simulation that can be assigned to students as an outside classroom activity or it can be done in the classroom. As the students watch the simulation they will be asked to make choices based on the scenario presented in the simulation. At the end of the simulation the student will receive immediate feedback based on the answers they gave. These simulations reinforce the concepts of the chapter and the students comprehension of those concepts.

Talk About It

These are discussion type questions which can be assigned as an activity within the classroom.

Assisted-Graded Writing Questions

These are short essay questions which the students can complete as an assignment and submit to you the professor for grading.

FEATURES CONTINUED FROM PREVIOUS EDITION

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

Social Media and HR features in each chapter demonstrate how employers use social media to improve their human resource processes.

Improving Performance through HRIS features demonstrate how managers use human resource technology to improve performance.

HR as a Profit Center features provide actual examples of human resource management practices that cut costs and improve performance.

Strategic Human Resource Management: Chapter 1 introduces and Chapter 3 presents the concepts and techniques of human resource strategy. Each Part opener contains a continuing model that shows how those chapters' HR policies and practices produce the employee skills and behaviors that a company needs to improve its performance.

SUMMARY OF NEW MATERIAL IN EACH CHAPTER

In addition to updating all chapters and adding the new features¹ described above to most chapters, here is a brief summary of some of the other new or expanded material in each chapter.

Chapter 1: Introduction: Reorganized and rewrote parts of this chapter. Added new material on economic and workforce projections. New material on HR and employee engagement. New material on HR and performance and sustainability. New material on employee relations. New SAS and Google in practice examples. New material on Sustainability and Strategic Human Resource Management.

¹Chapter features include Employee Engagement Guide for Managers, HR Tools for Line Managers and Small Businesses, HR Practices Around the Globe, Building Your Management Skills, Social Media and HR, Diversity Counts, HR in Practice, and Improving Performance through HRIS.

Chapter 2: Managing equal opportunity and diversity: New *Diversity Counts* material on sexual harassment. New *HR Management Tools for Line Managers and Small Businesses* feature. New section on recent trends in discrimination law.

Chapter 3: Human resource strategy and analysis: Rewrote first section. New in-practice material on Zappos. Added new section on employee engagement and organizational performance, including how to foster engagement. New *HR Tools for Line Managers and Small Businesses* feature. New *Employee Engagement Guide for Managers* and *Building Your Management Skills* features describing Kia Motors (UK) employee engagement improvement program.

Chapter 4: Job analysis and talent management: Rewrote several sections. New *Employee Engagement Guide for Managers* material on job analysis and employee engagement, with sample job description for an employee engagement manager.

Chapter 5: Personnel planning and recruiting: Rewrote several sections. New *Building Your Management Skills* feature. New *Employee Engagement Guide for Managers* section on internal recruitment and promotion from within. New *Social Media and HR* feature. Revised section on recruiting a more diverse workforce.

Chapter 6: Selecting employees: Rewrote several sections. New *HR Tools for Line Managers and Small Businesses* feature. New *Building Your Management Skills* feature on how to conduct an effective interview. New *Employee Engagement Guide for Managers* section on Toyota's total selection program.

Chapter 7: Training and developing employees: New *Employee Engagement Guide for Managers* on Toyota's employee assimilation process. *Building Your Management Skills* section on motivating trainees. New *HR Tools for Line Managers and Small Businesses* on creating your own training program.

Chapter 8: Performance management and appraisal: Rewrote several sections of this chapter. New *Employee Engagement Guide for Managers* section on improving engagement through employee appraisal.

Chapter 9: Managing careers: (Third edition Chapter 9 title was Managing Employee Retention, Engagement, and Careers.) Rewrote and reorganized this chapter to focus more on employee career management issues. Removed most of the 3rd edition's employee engagement material, because this new 4th edition now has employee engagement sections in most chapters. New in-practice material on career development at Medtronic.

Chapter 10: Developing compensation plans: Moved the detailed multi-step section on how to create a market-competitive pay plan to a new Chapter 10 appendix and substituted an outline of the process in the body of the chapter, for instructors who want the flexibility to cover just the new outline with their classes. New *HR Practices around the Globe* feature on compensating expatriate employees. New *Building Your Management Skills* section on how to create a pay scale for a company. New *HR Tools for Line Managers and Small Businesses* feature on developing a workable pay plan. New in-practice feature on one company's skill-based pay program.

Chapter 11: Pay for performance and employee benefits: Rewrote several sections including nonfinancial and recognition-based awards. New *HR Tools for Line Managers and Small Businesses* feature on financial and other incentives. *HR in Practice* feature and how to use financial and nonfinancial incentives in a fast food chain. New *Building Your Management Skills* feature on sales incentives. Added *Know Your Employment Law* section on the Patient Protection and Affordable Care Act. *HR Tools for Line Managers and Small Businesses* on employee leasing. New *HR Tools for Line Managers and Small Businesses* feature on work life and retirement benefits for small businesses. New *Employee Engagement Guide for Managers* on Costco's compensation plan.

Chapter 12: Maintaining positive employee relations: (Third edition’s Chapter 12 was titled Ethics, Employee Relations, and Fair Treatment at Work.) Rewrote and reorganized this chapter, to focus more on employee relations. Reduced and re-wrote coverage of employee ethics, while increasing coverage of employee relations and employee engagement. New feature on *HR Tools for Line Managers and Small Businesses*—ethics program for a small business. New *Employee Engagement Guide for Managers* section on employee relations and employee engagement at “Best Companies to Work For” including SAS, FedEx, and Google.

Chapter 13: Labor relations and collective bargaining: New *Employee Engagement Guide for Managers* on employee engagement and unionization. New section on labor law today. New *HR Tools for Line Managers and Small Businesses* on how to deal with a union-organizing effort. New *HR around the Globe*. New *HR in Practice* feature on the recent unionization effort at the Volkswagen plant outside Chattanooga, Tennessee.

Chapter 14. Improving occupational safety, health, and risk management: New *HR Tools for Line Managers and Small Businesses* on OSHA’s on-site safety and health services. New *Employee Engagement Guide for Managers* on Milliken and company’s world-class safety through employee engagement program.

Module A: Managing HR globally: Moved much of the 3rd edition’s applied material from this module to the *HR around the Globe* features in the chapters.

Module B: Managing human resources in small and entrepreneurial firms: Moved much of the 3rd edition’s applied material from this module to the new *HR Tools for Line Managers and Small Businesses* features in chapters.

INSTRUCTOR RESOURCES

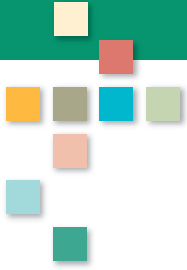
At the Instructor Resource Center, www.pearsonhighered.com/irc, instructors can easily register to gain access to a variety of instructor resources available with this text in downloadable format. If assistance is needed, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit <http://247.pearsoned.com> for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available with this text:

- Instructor’s Resource Manual
- Test Bank
- TestGen® Computerized Test Bank
- PowerPoint Presentation

2015 Qualitative Business Video Library

Additional videos illustrating the most important subject topics are available in MyManagementLab, under the Instructor Resources: Business Today.



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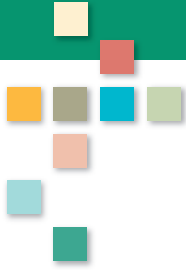
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About the Author

Readers worldwide use Gary Dessler's *Fundamentals of Human Resource Management*, *Human Resource Management*, and *Framework for Human Resource Management* in a total of more than 10 languages and international editions, including Russian, Spanish, French, Arabic, Thai, Greek, and Chinese. Dr. Dessler's other books include *Winning Commitment: How to Build and Keep a Competitive Workforce*, and *Management: Modern Principles and Practices for Tomorrow's Leaders*. He has published articles on employee commitment, leadership, supervision, human resource management practices in China, and quality improvement in journals including the *Academy of Management Executive*, *SAM Advanced Management Journal*, *Supervision*, *Personnel Journal*, and *International Journal of Service Management*.

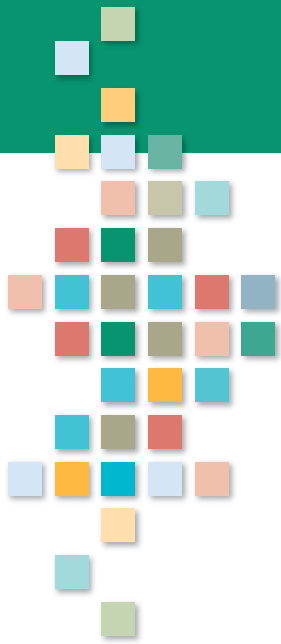
Dr. Dessler served for many years as a Founding Professor in Florida International University's College of Business teaching courses in human resource management, strategic management, and management. For the past few years, he has focused on his textbook writing, research, and consulting and on giving lectures, seminars, and courses around the world on modern human resource management methods, maintaining positive employee relations and employee engagement, strategic management, leadership development, and talent management.

Dr. Dessler has degrees from New York University, Rensselaer Polytechnic Institute, and the Baruch School of Business of the City University of New York.

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PART

1



INTRODUCTION

1

Managing Human Resources Today



OVERVIEW:

In this chapter, we will cover . . .

- WHAT IS HUMAN RESOURCE MANAGEMENT?
- THE TRENDS SHAPING HUMAN RESOURCE MANAGEMENT
- CONSEQUENCES FOR TODAY'S HUMAN RESOURCE MANAGERS
- THE PLAN OF THIS BOOK

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LEARNING OBJECTIVES

When you finish studying this chapter, you should be able to:

1. Answer the questions, "What is human resource management?" and "Why is knowing HR management concepts and techniques important to any supervisor or manager?"
2. Describe with examples what trends are influencing human resource management.
3. Discuss at least five consequences today's trends have for human resource management.
4. Outline the plan of this book.

★ Learn It

If your professor has chosen to assign this, go to www.mymanagementlab.com to see what you should particularly focus on and to take the Chapter 1 Warm Up.



Source: John Gress/Corbis.

INTRODUCTION

It was her first week working as an Executive Team Leader (assistant manager) in charge of the sales floor at the new Target store, and Tori was excited to be supervising about 40 employees. As was usual, the store had its own human resource team, but Tori was still surprised at how much time she spent on “HR”. These tasks included personally interviewing prospective sales associates, and then making sure that each was properly trained, evaluated, and awarded pay hikes. She mentioned this to a friend who worked at another chain, and who said, “No, that’s pretty much par for the course—I spend about a third of my time on tasks like that too.”

LEARNING OBJECTIVE 1

Answer the questions, “What is human resource management?” and “Why is knowing HR management concepts and techniques important to any supervisor or manager?”

WHAT IS HUMAN RESOURCE MANAGEMENT?

To understand what human resource management is, we should first review what managers do. The new Target store is an *organization*. An **organization** consists of people (in this case, people like sales and maintenance employees) with formally assigned roles who work together to achieve the organization’s goals. A **manager** is someone who is responsible for accomplishing the organization’s goals, and who does so by managing the efforts of the organization’s people.

Most writers agree that **managing** involves performing five basic functions: planning, organizing, staffing, leading, and controlling. In total, these functions represent the **management process**. Some of the specific activities involved in each function include:

- **Planning.** Establishing goals and standards; developing rules and procedures; developing plans and forecasts
- **Organizing.** Giving each subordinate a specific task; establishing departments; delegating authority to subordinates; establishing channels of authority and communication; coordinating the work of subordinates
- **Staffing.** Determining what type of people should be hired; recruiting prospective employees; selecting employees; setting performance standards; compensating employees; evaluating performance; counseling employees; training and developing employees
- **Leading.** Getting others to get the job done; maintaining morale; motivating subordinates
- **Controlling.** Setting standards such as sales quotas, quality standards, or production levels; checking to see how actual performance compares with these standards; taking corrective action as needed

In this book, we will focus on one of these functions—the staffing, personnel management, or *human resource management (HRM)* function. **Human resource management** is the process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health and safety, and fairness concerns. The topics we’ll discuss should therefore provide you with the concepts and techniques you’ll need to perform the “people” or personnel aspects of management. These include:

- *Conducting job analyses* (determining the nature of each employee’s job).
- *Planning labor needs and recruiting* job candidates.
- *Selecting* job candidates.
- *Orienting and training* new employees.
- *Managing wages and salaries* (compensating employees).
- *Providing incentives and benefits.*
- *Appraising performance.*
- *Communicating* (interviewing, counseling, disciplining).

organization

A group consisting of people with formally assigned roles who work together to achieve the organization’s goals.

manager

Someone who is responsible for accomplishing the organization’s goals, and who does so by managing the efforts of the organization’s people.

managing

To perform five basic functions: planning, organizing, staffing, leading, and controlling.

management process

The five basic functions of planning, organizing, staffing, leading, and controlling.

human resource management (HRM)

The process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health and safety, and fairness concerns.

- *Training employees, and developing managers.*
- *Building employee relations and engagement.*

And what a manager should know about:

- Equal opportunity and affirmative action.
- Employee health and safety.
- Handling grievances and labor relations.

Why Is Human Resource Management Important to All Managers?

Why are the concepts and techniques in this book important to all managers? Perhaps it's easier to answer this by listing some of the *personnel mistakes you don't want to make* while managing. For example, you don't want

- To have your employees not doing their best.
- To hire the wrong person for the job.
- To experience high turnover.
- To have your company in court due to your discriminatory actions.
- To have your company cited for unsafe practices.
- To let a lack of training undermine your department's effectiveness.
- To commit any unfair labor practices.

Carefully studying this book can help you avoid mistakes like these. More important, it can *help ensure that you get results—through people*.¹ Remember that you could do everything else right as a manager—lay brilliant plans, draw clear organization charts, set up modern assembly lines, and use sophisticated accounting controls—but still fail, for instance, by hiring the wrong people or by not motivating subordinates. On the other hand, many managers—from generals to presidents to supervisors—have been successful even without adequate plans, organizations, or controls. They were successful because they had the knack for hiring the right people for the right jobs and then motivating, appraising, and developing them. Remember as you read this book that *getting results* is the bottom line of managing and that, as a manager, you will have to get these results through people. This fact hasn't changed from the dawn of management. As one company president summed it up:

For many years it has been said that capital is the bottleneck for a developing industry. I don't think this any longer holds true. I think it's the workforce and the company's inability to recruit and maintain a good workforce that does constitute the bottleneck for production. I don't know of any major project backed by good ideas, vigor, and enthusiasm that has been stopped by a shortage of cash. I do know of industries whose growth has been partly stopped or hampered because they can't maintain an efficient and enthusiastic labor force, and I think this will hold true even more in the future.²

At no time in our history has that statement been more true than it is today. As we'll see in a moment, intensified global competition, technological advances, and economic upheaval have triggered competitive turmoil. In this environment, the future belongs to those managers who can improve performance while managing change; but doing so requires getting results through engaged and committed employees. Human resource management practices and policies play a big role in helping managers do this.

Here is another reason to study this book: *you might spend time as a human resource manager*. For example, about a third of large U.S. businesses surveyed appointed non-HR managers to be their top human resource executives. Thus, Pearson Corporation (which publishes this book) promoted the head of one of its publishing divisions to chief human resource executive at its corporate headquarters. Why? Some think these people may be better equipped to integrate the firm's human resource activities (such as pay policies) with the company's strategic needs (such as by tying executives' incentives to corporate goals).³

However most top human resource executives do have prior human resource experience. About 80% of those in one survey worked their way up within HR. About 17% had the HR Certification Institute's Senior Professional in Human Resources (SPHR) designation, and 13% were certified Professional in Human Resources (PHR). The Society

for Human Resource Management (SHRM) offers a brochure describing alternative career paths within human resource management.⁴ Find it at www.shrm.org.

HR for Small Businesses

And here is one final reason to study this book: *you may well end up as your own human resource manager*. More than half the people working in the United States today work for small firms. Small businesses as a group also account for most of the 600,000 or so new businesses created every year.⁵ Statistically speaking, therefore, most people graduating from college in the next few years either will work for small businesses or will create new small businesses of their own. If you are managing your own small firm with no human resource manager, you'll probably have to handle HR on your own. To do that, you must be able to recruit, select, train, appraise, and reward employees. There are special HR Tools for Line Managers and Small Businesses features in most chapters. These show small business owners how to improve their human resource management practices.

Line and Staff Aspects of HRM

All managers are, in a sense, human resource managers, because they all get involved in activities such as recruiting, interviewing, selecting, and training. Yet most firms also have a separate human resource department with its own human resource manager. How do the duties of this departmental HR manager and his or her staff relate to line managers' human resource duties? Let's answer this by starting with short definitions of line versus staff authority.

Line versus Staff Authority

Authority is the right to make decisions, to direct the work of others, and to give orders. In management, we usually distinguish between line authority and staff authority. Line authority gives managers the right (or authority) to issue orders to other managers or employees. It creates a superior-subordinate relationship. Staff authority gives a manager the right (authority) to advise other managers or employees. It creates an advisory relationship. **Line managers** have line authority. They are authorized to give orders. **Staff managers** have staff authority. They are authorized to assist and advise line managers. Human resource managers are staff managers. They assist and advise line managers in areas like recruiting, hiring, and compensation.

In practice, HR and line managers share responsibility for most human resource activities. For example, human resource and line managers in about two-thirds of the firms in one survey shared responsibility for skills training.⁶ (Thus, the supervisor might describe what training she thinks the new employee needs, HR might design the training, and the supervisors might then ensure that the training is having the desired effect.)

Line Managers' Human Resource Management Responsibilities

The direct handling of people always has been an integral part of every line manager's responsibility, from president down to the first-line supervisor. For example, one company outlines its line supervisors' responsibilities for effective human resource management under the following general headings:

1. Placing the right person in the right job
2. Starting new employees in the organization (orientation)
3. Training employees for jobs that are new to them
4. Improving the job performance of each person
5. Gaining creative cooperation and developing smooth working relationships
6. Interpreting the company's policies and procedures
7. Controlling labor costs
8. Developing the abilities of each person
9. Creating and maintaining departmental morale
10. Protecting employees' health and physical conditions

In small organizations, line managers may carry out all these personnel duties unassisted. But as the organization grows, line managers need the assistance, specialized knowledge, and advice of a separate human resource staff.

authority

The right to make decisions, direct others' work, and give orders.

line manager

A manager who is authorized to direct the work of subordinates and is responsible for accomplishing the organization's tasks.

staff manager

A manager who assists and advises line managers.

The Human Resource Department

In larger firms, the *human resource department* provides such specialized assistance. Figure 1.1 shows human resource management jobs in one organization. Typical positions include compensation and benefits manager, employment and recruiting supervisor, training specialist, and employee relations executive. Examples of job duties include:

Recruiters: Maintain contacts within the community and perhaps travel extensively to search for qualified job applicants.

Equal employment opportunity (EEO) representatives or affirmative action coordinators: Investigate and resolve EEO grievances, examine organizational practices for potential violations, and compile and submit EEO reports.

Job analysts: Collect and examine detailed information about job duties to prepare job descriptions.

Compensation managers: Develop compensation plans and handle the employee benefits program.

Training specialists: Plan, organize, and direct training activities.

Labor relations specialists: Advise management on all aspects of union-management relations.

Many big employers are taking a new look at how they organize their human resource functions.⁷ For example, J. Randall MacDonald, IBM’s former senior vice president of human resources, saw that the traditional human resource organization divides HR activities into separate “silos” (as in Figure 1.1) such as recruitment, training, and employee relations. MacDonald took a different approach. He split IBM’s 330,000 employees into three

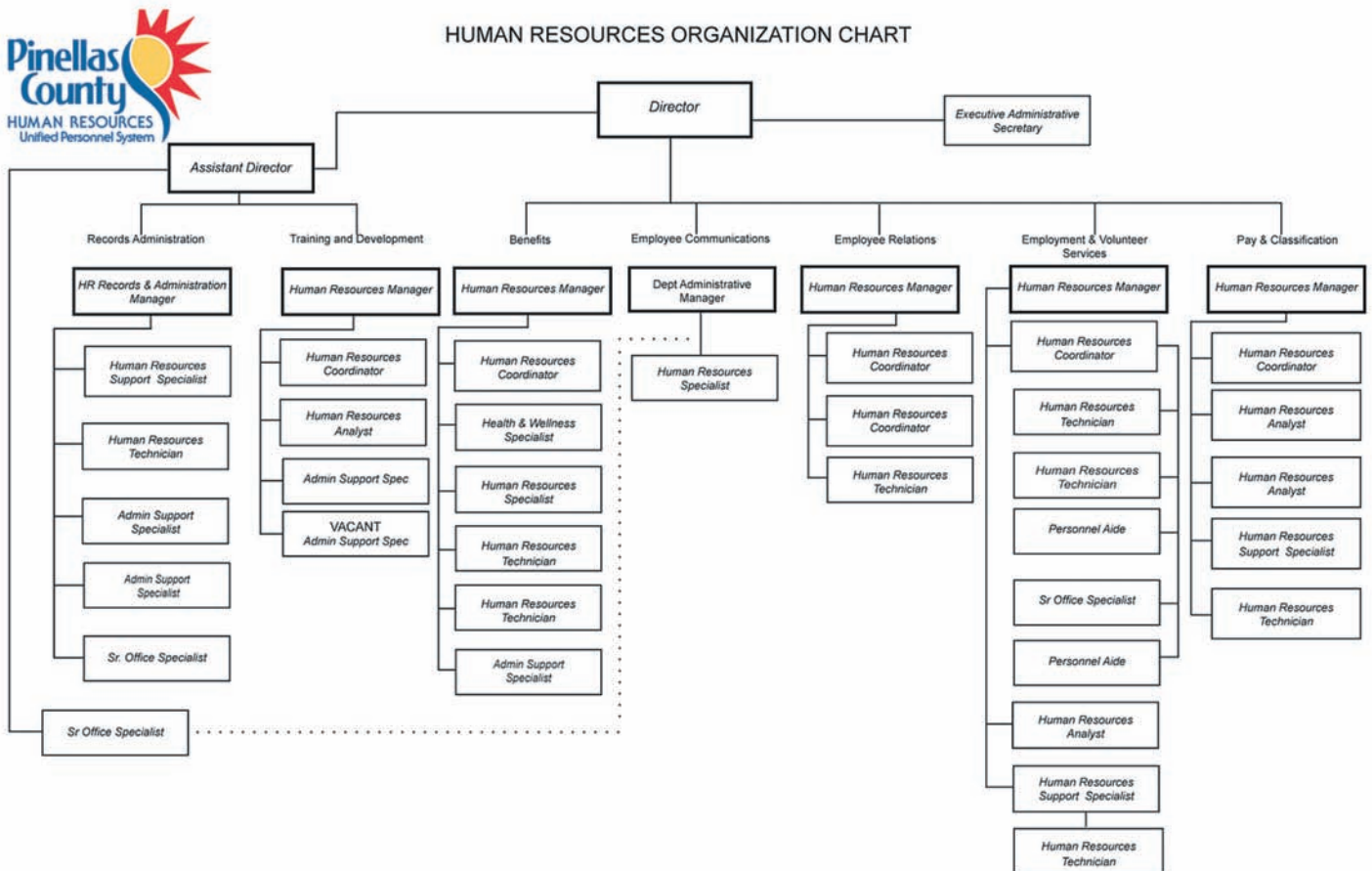


FIGURE 1.1
Human Resource Department Organization Chart Showing Typical HR Job Titles

Source: “Human resource development organization chart showing typical HR job titles,” www.co.pinellas.fl.us/persnl/pdf/orgchart.pdf. Courtesy of Pinellas County Human Resources. Reprinted with permission.



J. Randall MacDonald and IBM reorganized its human resource management group to focus on the needs of specific groups of IBM employees.

Source: IBM.

segments for HR purposes: executive and technical, managers, and rank and file. Now separate human resource management teams (consisting of recruitment, training, and pay specialists, for instance) focus on each employee segment. Each team ensures the employees in each segment get the specialized testing, training, and rewards they require.⁸

One survey found that 44% of the large firms they surveyed planned to change how they organize and deliver their HR services.⁹ Most plan to use technology to institute more “shared services” or “transactional” arrangements.¹⁰ These will establish centralized HR units whose employees are shared by all the companies’ departments to obtain advice on matters such as discipline problems. The shared services HR teams offer their services through intranets or centralized call centers; they aim to provide managers and employees with specialized support in day-to-day HR activities (such as changing benefits plans). You may also find specialized *corporate HR teams* within a company. These assist top management in top-level issues such as developing the personnel aspects of the company’s long-term strategic plan. *Embedded HR teams* have HR generalists (also known as “relationship managers” or “HR business partners”) assigned to functional departments like sales and production. They provide the selection and other assistance the departments need. *Centers of expertise* are basically specialized HR consulting firms within the company. For example, one center might provide specialized advice in areas such as organizational change to all the company’s various units.

Small firms (say, those with less than 100 employees) generally don’t have the critical mass required for a full-time human resource manager (let alone an HR department).¹¹ The owner and his or her other managers (and perhaps the firm’s office manager) handle tasks such as placing help-wanted ads and signing employees on. Gaining a command of the techniques in this book should help you to manage a small firm’s human resources more effectively.

LEARNING OBJECTIVE 2

Describe with examples what trends are influencing human resource management.

THE TRENDS SHAPING HUMAN RESOURCE MANAGEMENT

Working cooperatively with line managers, human resource managers have long helped employers hire and fire employees, administer benefits, and conduct appraisals. However, changes are occurring in the environment of human resource management that are requiring it to play a more central role in organizations. These trends include workforce diversity trends, technological trends, and economic trends. Figure 1.2 sums up major trends that are changing how employers and their HR managers do things.

Workforce Diversity Trends

The composition of the workforce will continue to change over the next few years; specifically, it will continue to become more diverse with more women, minority group members, and older workers in the workforce.¹² Table 1.1 offers a bird’s eye view. Between 1990 and 2020, the percent of the workforce that the U.S. Department of Labor classifies as “white, non-Hispanic” will drop from 77.7% to 62.3%. At the same time, the percent of the workforce that it classifies as Asian will rise from 3.7% to 5.7%, and those of Hispanic origin will rise from 8.5% to 18.6%. The percentages of younger workers will fall, while those over 55 years of age will leap from 11.9% of the workforce in 1990 to 25.2% in 2020.¹³ Many employers call “the aging workforce” a big problem. The problem is that there aren’t enough younger workers to replace the projected number of baby boom–era older workers (born roughly 1946–1964) retiring.¹⁴ Many employers are bringing retirees back into the workforce (or just trying to keep them from leaving).

Demographic trends are also making finding and hiring of employees more challenging. In the U.S., labor force growth is not expected to keep pace with job growth, with an estimated shortfall of about 14 million college-educated workers by 2020.¹⁵ One study of 35 large global companies’ senior human resource officers said “talent management”—the

FIGURE 1.2
Important Trends and Their Consequences for HR Management

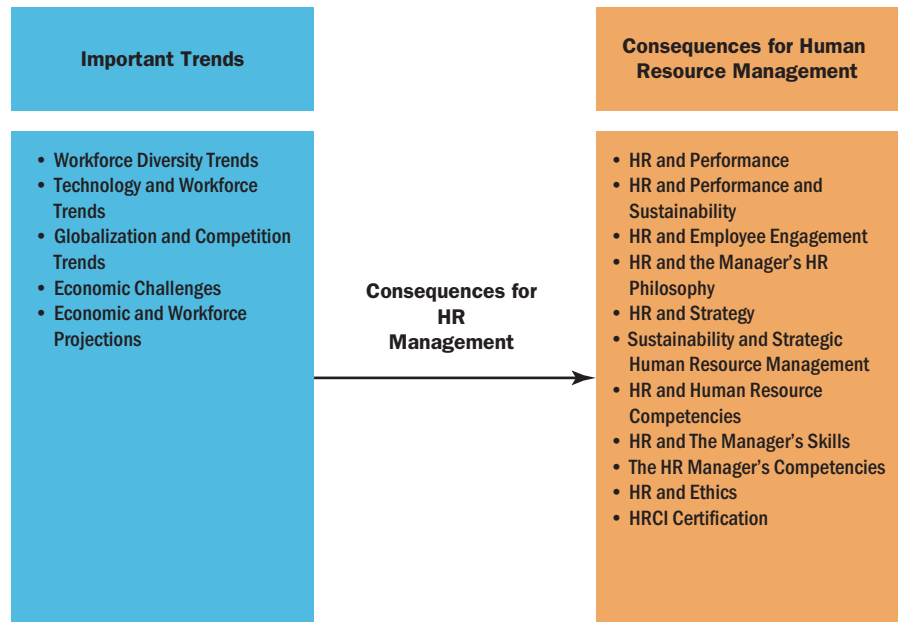


TABLE 1.1 Demographic Groups as a Percent of the Workforce, 1990–2020

Age, Race, and Ethnicity	1990	2000	2010	2020
Age: 16–24	7.9%	15.8%	13.6%	11.2%
25–54	70.2	71.1	66.9	63.7
55+	11.9	13.1	19.5	25.2
White, non-Hispanic	77.7	72.0	67.5	62.3
Black	10.9	11.5	11.6	12.0
Asian	3.7	4.4	4.7	5.7
Hispanic origin	8.5	11.7	14.8	18.6

Source: U.S. Bureau of Labor Statistics Economic News Release 2/1/12. www.bls.gov/news.release/ecopro.t01.htm

acquisition, development and retention of talent to fill the companies’ employment needs—ranked as their top concern.¹⁶

With overall projected workforce shortfalls, many employers are hiring foreign workers for U.S. jobs. The H-1B visa program lets U.S. employers recruit skilled foreign professionals to work in the United States when they can’t find qualified American workers. U.S. employers bring in about 181,000 foreign workers per year under these programs. Particularly with high unemployment, such programs face opposition.¹⁷

Other firms are shifting to nontraditional workers. Nontraditional workers are those who hold multiple jobs, or who are “temporary” or part-time workers, or those working in alternative arrangements (such as a mother–daughter team sharing one clerical job). Others serve as “independent contractors” for specific projects. Almost 10% of American workers—13 million people—fit this nontraditional workforce category.

Technology and Workforce Trends

Technological change will continue to shift employment growth from some occupations to others, while continuing to contribute to a rise in productivity (albeit slower productivity growth than in past years).¹⁸ When someone thinks of “technology jobs,” the jobs at companies like Apple and Google come to mind, but actually technology affects all sorts of jobs. At Alcoa Aluminum’s Davenport Works plant in Iowa, a computer stands at each work post to help each employee control his or her machines or communicate data. Walk through the typical automobile manufacturing plant today, and hundreds of robots are doing many of

Technology changed the nature of work and therefore the skills that workers must bring to their jobs. For example high-tech jobs often mean replacing manual labor with highly trained technicians.

Source: Konstantin Kokoshkin/Global Look/Corbis.



the manual jobs that workers used to do. One former college student became a team leader in a plant with automated machines. He and his team type commands into computerized machines that create precision parts.¹⁹ Thanks to information technology, about 17 million people now work from remote locations at least once per month. “Co-working sites” offer freelance workers office space and access to Wi-Fi and office equipment.²⁰ Even human resource managers work differently. For example, they use LinkedIn and Facebook (and many others) to recruit job candidates (see for example USAirForceRecruiting on Facebook.com²¹, and online testing services such as www.criteriacorp.com) to do pre-hire testing.²² They also use (as we’ll see) a variety of other mobile and online tools to help manage employee training, appraisal, compensation, and safety.

Service Jobs

At the same time, there has been an enormous shift from manufacturing jobs to service jobs in North America and Western Europe. Today over two-thirds of the U.S. workforce is employed in producing and delivering services, not products. By 2020, service-providing industries are expected to account for 131 million out of 150 million (87%) of wage and salary jobs overall. So in the next few years, almost all the new jobs added in the United States will be in services, not in goods-producing industries.²³

Human Capital

For employers, one big consequence of these demographic and technological trends is a growing emphasis on their companies’ “human capital,” in other words on their workers’ knowledge, education, training, skills, and expertise. Service jobs like consultant and lawyer always emphasized worker education and knowledge more than did traditional manufacturing jobs. And today’s proliferation of IT-related businesses like Google and Facebook demands high levels of employee innovation, and therefore human capital. But as we’ve seen, even “traditional” manufacturing jobs are increasingly technology-based. And bank tellers, retail clerks, bill collectors, mortgage processors, and package deliverers today need a level of technological sophistication they wouldn’t have needed a few years ago. In our increasingly knowledge-based economy, “. . . the acquisition and development of superior human capital appears essential to firms’ profitability and success.”²⁴

For managers, the challenge of relying on human capital is that they have to manage such workers differently. For example, empowering workers to make more decisions presumes that they are selected, trained, and rewarded to make more decisions themselves. Employers need new human resource management practices to select, train, and engage these employees.²⁵ The accompanying HR as a Profit Center illustrates how one employer took advantage of its human capital.

■ HR AS A PROFIT CENTER

Boosting Customer Service

A bank installed special software that made it easier for its customer service representatives to handle customers' inquiries. However, the bank did not otherwise change the service reps' jobs in any way. Here, the new software system did help the service reps handle more calls. But otherwise, this bank saw no big performance gains.²⁶

A second bank installed the same software. But, seeking to capitalize on how the new software freed up customer reps' time, this bank also had its human resource team upgrade the customer service representatives' jobs. This bank taught them how to sell more of the bank's services, gave them more authority to make decisions, and raised their wages. Here, the new computer system dramatically improved product sales and profitability, thanks to the newly trained and empowered customer service reps. Value-added human resource practices like these improve employee performance and company profitability.²⁷

★ Talk About It – 1

If your professor has chosen to assign this, go to www.mymanagementlab.com to discuss the following: Discuss three more specific examples of what you believe this second bank's HR department could have done to improve the reps' performance.

Globalization and Competition

Globalization refers to companies extending their sales, ownership, and/or manufacturing to new markets abroad. Thus Toyota builds Camrys in Kentucky, while Apple assembles iPhones in China. Free trade areas—agreements that reduce tariffs and barriers among trading partners—further encourage international trade. NAFTA (the North American Free Trade Agreement) and the EU (European Union) are examples.

Globalization has boomed for the past 50 or so years. For example, the total sum of U.S. imports and exports rose from \$47 billion in 1960, to \$562 billion in 1980, to about \$4.7 trillion recently.²⁸ Changing economic and political philosophies drove this boom. Governments dropped cross-border taxes or tariffs, formed economic free trade areas, and took other steps to encourage the free flow of trade among countries. The fundamental economic rationale was that by doing so, all countries would gain, and indeed, economies around the world did grow quickly until recently.

At the same time, globalization vastly increased international competition. More globalization meant more competition, and more competition meant more pressure to be “world class”—to lower costs, to make employees more productive, and to do things better and less expensively. Many firms responded successfully while others failed. When Swedish furniture retailer IKEA built its first U.S. furniture superstore in New Jersey, its superior styles and management systems grabbed market share from domestic competitors, driving many out of business. Such global competition is a two-way street. IBM, Microsoft, Apple, Facebook, and countless smaller American firms have major market shares around the world.

As multinational companies jockey for position, many transfer operations abroad, not just to seek cheaper labor but to tap into new markets. For example, Toyota has thousands of sales employees based in America, while GE has over 10,000 employees in France. The search for greater efficiencies prompts some employers to *offshore* (export jobs to lower-cost locations abroad, as when Dell offshored some call-center jobs to India). Some employers offshore even highly skilled jobs such as lawyer.²⁹ Managing the “people” aspects of globalization is a big task for any company that expands abroad—and for its HR managers. Due to rising costs abroad and customer pushback, many firms today are bringing jobs back.³⁰

Economic Challenges

Although globalization and technology supported a growing global economy, the past few years were difficult economically. As you can see in Figure 1.3, Gross National