

Robert L. Mathis | John H. Jackson | Sean R. Valentine

Human Resource Management

ESSENTIAL PERSPECTIVES



Seventh Edition



Human

SEVENTH EDITION

Resource Management

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ROBERT L. MATHIS

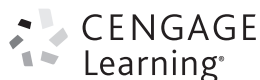
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PREFACE

The importance of human resource (HR) issues for managers and organizations is evident every day. As indicated by frequent headlines and news media reports on downsizing, shortages of qualified workforce, employee discrimination, union activity, and other topics, the management of human resources is growing in importance in the United States and the world. HR issues affect many individuals; consequently, they will benefit by becoming more knowledgeable about HR management and the nature of various activities.

This textbook has been prepared as a brief version of our comprehensive textbook, *Human Resource Management 14th Edition* and is intended for those desiring a concise discussion of the important issues and practices in HR management. The textbook provides a condensed overview of the essential HR topics and activities and combines solid academic research with a practitioner's orientation of how things are done. The concise nature of this book presents information in a way that is useful to various industry groups and professional organizations. It can be used in case courses as background material, as review for HR professionals, in workshops and seminars, and in any other forums requiring brevity. The positive reception of previous editions of *Human Resource Management: Essential Perspectives* confirmed the need for such a book. Consequently, we are pleased to provide an updated version.

THE SEVENTH EDITION

The seventh edition contains numerous important updates that reflect the changes in the HR environment. Some of those changes are as follows:

- Each chapter includes a new or updated “Using HR to Meet Management Problems” opener to introduce the chapter. These are designed to explain relevance to management and to provide a list of the main topics to be covered.
- Several chapters have been restructured to ensure a suitable flow of information to provide readers with a solid understanding of topics.
- All chapters have been thoroughly updated to include new and expanded coverage of the most important topics affecting the HR environment. Some of the updates you will find in the new edition include new/expanded content on emerging topics such as ethics, leadership, social media, technology, current economic conditions and unemployment, and multinational and global business.

- New and updated figures throughout each chapter focus on the most important topics in HR management.
- Updated Internet Resources and Suggested Readings provide students with direction on where to learn more about the field.

OF SPECIAL INTEREST TO INSTRUCTORS

Instructors will find a number of valuable resources on our online instructor resource center, accessed through cengagebrain.com. These include

- ***Instructor's Manual.*** Designed to provide support for instructors new to the course, as well as innovative materials for experienced professors, the *Instructor's Manual* provides comprehensive teaching materials, including overviews, annotated outlines, and detailed teaching notes.
- ***Test Bank.*** This edition's test bank has been upgraded to include a wider range of questions across Bloom's taxonomy. True/false, multiple choice, and short-essay questions test students' knowledge and comprehension. All questions have metadata tags to assist instructors in locating questions by difficulty level, Bloom's level, learning objective, or topic. Instructors can access the Test Bank via Word documents available on the instructor resource center.
- ***PowerPoint Lecture Presentation.*** The PowerPoint Lecture Presentation enables instructors to customize their own multimedia classroom presentation. The package includes figures and tables from the text and summarized teaching notes. The material is organized by chapter and can be modified or expanded for individual classroom use.

With this seventh edition of *Human Resource Management: Essential Perspectives* we also welcome a new author. Sean Valentine is an accomplished scholar who has a special interest, and expertise, in HR ethics. He is a strong addition to the author team.

It is our hope as authors that this book will be useful to those needing a very concise treatment of HR topics. Certainly the need for understanding the material is not going away. It is increasing and now even spreading into segments of the work world where it is sometimes viewed as difficult. HR takes place in an environment that changes rapidly; the new edition identifies these changes, and it is our hope that it will contribute to more effective management of human resources in organizations.

Robert L. Mathis, PhD, SPHR

John H. Jackson, PhD

Sean R. Valentine, DBA

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HR's Roles, Strategy, and Planning

USING HUMAN RESOURCES TO SOLVE MANAGEMENT PROBLEMS

Many things affect an organization's performance and therefore management's focus. The people who are employed are certainly one of the crucial factors. Key questions about human resources (HR) are:

- Why do organizations need HR?
- What does HR do?
- How can HR measure its contributions to the organization?

The people who work in an organization do not automatically make a useful contribution; they require training, good jobs to do, pay, safe working conditions, and more. This chapter highlights how HR contributes to the framework necessary for people to do their jobs usefully and successfully.

Human beings are a necessary, varied, and sometimes problematic resource that different organizations use to a greater or lesser degree. For some organizations, talented employees are the cornerstones of a competitive advantage in the marketplace. If the organization is to compete on the basis of new ideas, outstanding customer service, or quick and accurate decisions, having excellent employees is critical. Of course, not every organization must compete on the basis of having the best employees, but even for those that do not need to, employees are a major source of organizational performance, problems, growth, resistance to change, and lawsuits.

Productive, creative, and reliable people doing rewarding work in a flexible organization should be the goal for a company to get the most out of the money spent on its employees. Such organizations often earn the reputation as good employers, and as a result they have more, and better, potential employees available than competitors. But how does an employer earn such a reputation?

When an organization employs people, certain efforts must be made to recruit and retain the best people. Finding potentially good employees, training them, paying them appropriately, giving them good work to do, and providing them opportunities to succeed are but a few of the activities that must be addressed by someone in the organization. Often it is an HR department that does so.

1-1 WHAT IS HUMAN RESOURCE MANAGEMENT?

What is now called “human resource management” has evolved a great deal since its beginnings at the turn of the twentieth century. What began in larger companies as a primarily clerical operation concerned with payroll and employee records faced changes with the social legislation of the 1960s and 1970s. “Personnel departments,” as they came to be called, became concerned with the legal ramifications of policies and procedures affecting employees. As the twentieth century continued, globalization and competition began forcing HR departments to become more concerned with costs, planning, and the implications of various HR strategies for both organizations and their employees. More recently, HR operations in some companies have been involved with mergers and acquisitions, outsourcing, and managing vendors of certain traditional HR activities such as payroll and executive search.

Human resource management is concerned with designing formal systems in an organization to manage human talent for accomplishing organizational goals. Whether it is a big company with 10,000 employees or a small nonprofit organization with 10 employees, those employees must be paid, which means that an appropriate and legal compensation system is needed. Employees also must be recruited, selected, trained, and managed. Each of these activities requires thought and understanding about what may work well within the organization and what may not. Research on these issues and the knowledge gained from successful approaches form the basis for effective HR management.

1-1a Why Organizations Need HR Management

Not every organization has an HR department. In a company with an owner and 10 employees, for example, the owner usually takes care of HR issues. However, despite the obvious differences between large and small organizations, the same HR issues must be dealt with in every organization.

In a sense, *every* manager in an organization is an HR manager. Sales managers, head nurses, drafting supervisors, college deans, and accounting department supervisors all engage in HR management, and their effectiveness depends in part on the success of organizational HR systems. It is unrealistic, however, to expect a nursing supervisor to know about the nuances of equal employment regulations or how to design a compensation system. For that reason, larger organizations frequently have people who specialize in these activities, which form the HR function or department.

All assets are important to varying degrees in different organizations. But the human assets are the “glue” that holds all the other assets together and guides their use to achieve results. Human capital is not just the people in organizations—it is also what those people contribute to organizational success. Broadly defined, **human capital** is the collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organizational workforce.

A fundamental question is whether better HR management strategies create higher market value for companies or whether financially successful companies have more resources to allocate to human capital initiatives. It can be argued that hiring the right people, supporting their creative thinking and productivity, and combining these with the right technology will build superior business performance and shareholder value. But it is more complex than that. In fact, it appears that the way the HR practices are *implemented* strongly affects business results.¹ Generally, better HR practices improve firm performance if implemented properly, and having superior human capital can indeed influence company performance.²

1-1b Managing Human Resources in Organizations

Human resources/human capital (or more simply, *people*) who work in organizations may have valuable contributions they can make to the organization’s mission. But this will occur only if people are given a reasonable opportunity to contribute. Employees must be placed into the right job, be trained, and given feedback if they are to do well. It is not just the HR department that does these things; it is a team effort between operating managers and the HR department, if one exists.

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

At about 80 to 100 employees, small organizations typically find that they need to designate someone to specialize in HR issues. Other HR positions are added as specialists (e.g., in compensation, training, or recruiting) as the company grows larger. The need for HR grows as an organization grows, until it evolves into a specialty with specialists assigned to specific duties. However, for HR to be most useful it must remain firmly attached to the operating management of the organization.

1-1c Human Resource as a Core Competency

The development and implementation of specific strategies must be based on the areas of strength in an organization. Referred to as *core competencies*, those

strengths are the foundation for creating a competitive advantage for an organization. A **core competency** is a unique capability, at which an organization excels, that creates high value.

Certainly, many organizations have identified that their HR practices differentiate them from their competitors and that HR is a key determinant of competitive advantage. Recognizing this, organizations as diverse as FedEx, Nordstrom, and Dow Corning have focused on human resources as having special strategic value for the organization.

1-2 PRODUCTIVITY

Productivity can be a competitive advantage because when the costs to produce goods and services are lowered through high productivity, lower prices can be charged and the result is better sales. Better productivity does not necessarily mean more output—perhaps fewer people (or less money or time) are used to produce the same amount of goods or services. In its most basic sense, **productivity** is a measure of the quantity and quality of work done, considering the cost of the resources used. A useful way to measure the productivity of a workforce is to determine the total cost of people required for each unit of output. For example, a retailer may measure productivity as a ratio of employee payroll and benefits to sales; or a bank may compare the number and dollar amount of loans made to the number of loan officers employed, providing a metric of productivity per loan officer.

1-2a Improving Productivity

Productivity at the organizational level ultimately affects profitability and competitiveness in a for-profit organization and total costs in a nonprofit organization. Perhaps of all the resources used in organizations, the ones most closely scrutinized are human resources. Many HR management efforts are designed to enhance productivity, including:

- *Organizational restructuring* involves eliminating layers of management and changing reporting relationships as well as cutting staff through downsizing, layoffs, and early-retirement buyout programs.
- *Redesigning work* often involves having fewer employees who perform multiple job tasks. It may also involve replacing workers with capital equipment or making workers more efficient by use of technology or new processes.
- *Aligning HR activities* means making HR efforts consistent with organizational efforts to improve productivity. This alignment includes ensuring that staffing, training and development, performance management, compensation, and other HR activities are not working to offset productivity.

1-2b Organizational Culture

The ability of an organization to use its human capital as a core competency depends at least in part on the organizational culture that is operating. **Organizational culture** consists of the shared values and beliefs that give members of an organization meaning and provide them with rules for behavior. These values are inherent in the ways organizations and their members view themselves, define opportunities, and plan strategies. Much as personality shapes an individual, organizational culture shapes its members' responses and defines what an organization can, or is willing, to do.

The culture of an organization is seen in the norms of the expected behaviors, values, philosophies, rituals, and symbols of its employees. Culture evolves over a period of time; only if an organization has a history in which people have shared experiences for years does a culture stabilize. A relatively new business, such as one that has existed for less than two years, probably has not yet developed a stable culture.

Culture is important because it tells people how to behave (or not to behave). It is relatively constant and enduring over time. Newcomers learn the culture from senior employees; hence, the rules of behavior are perpetuated. These rules may or may not be beneficial, so culture can either facilitate or limit performance.

1-3 HR MANAGEMENT FUNCTIONS

How many days of vacation does an employee receive after three years? There is no “right answer” except for the organization that is trying to devise a vacation policy. But the vacation policy that is finally designed is one of the formal systems used to manage people in work organizations. Such systems need to be formal, that is, agreed upon and written down for all to see. Try to picture the chaos that would result if every supervisor in a very large company could set his or her own vacation policy!

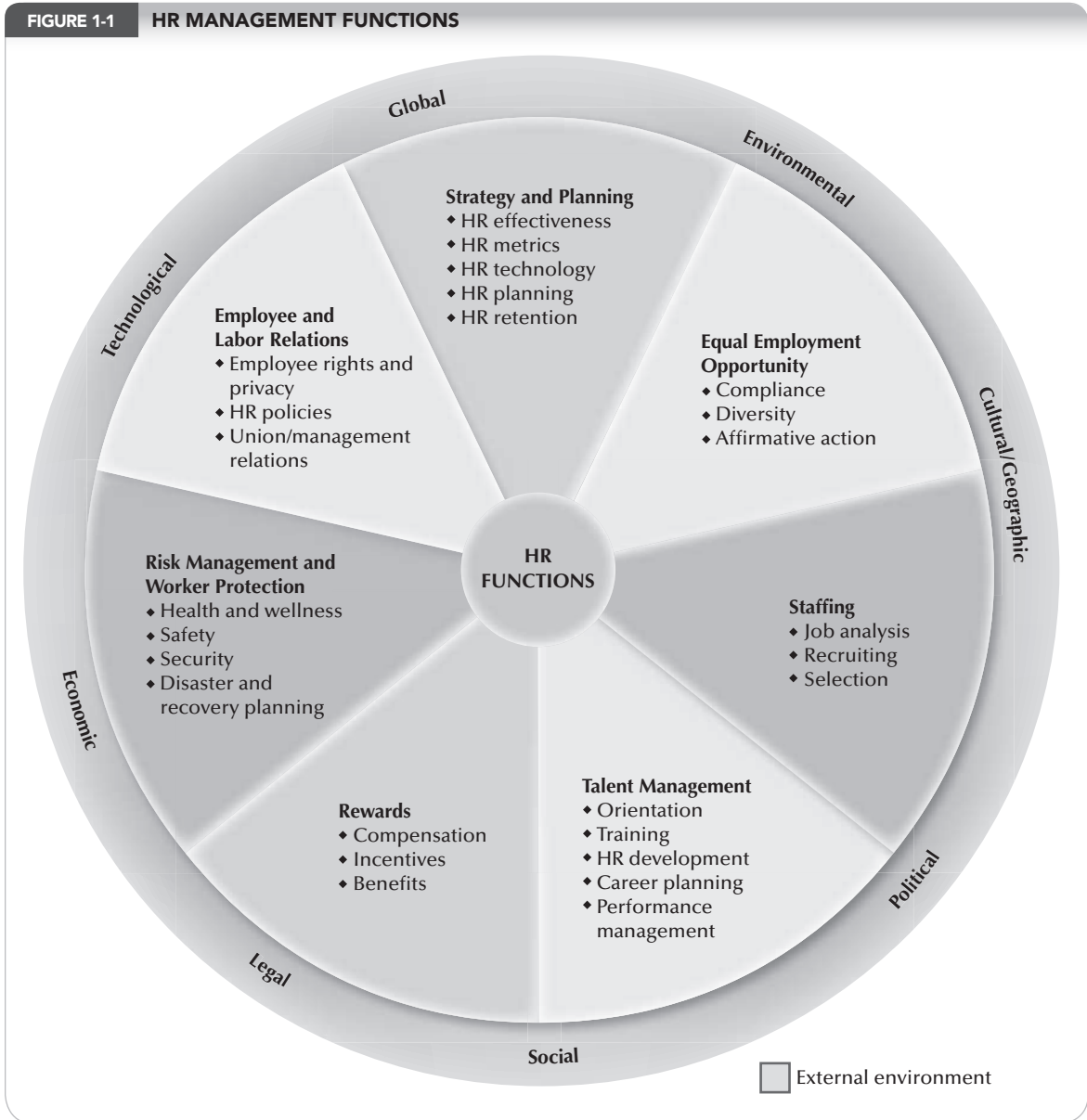
Considering the areas where HR typically has to have formal systems yields seven interlocking functions, as shown in Figure 1-1. These functions take place in a unique organizational format that is influenced by external forces: global, environmental, cultural/geographical, political, social, legal, economic, and technological in nature.

Each of these functions consists of several areas covered in the following chapters of this book. These functions are translated into daily activities for the HR department, if one exists, and for operating managers if an HR department does not yet exist.

1-4 ROLES FOR HUMAN RESOURCE DEPARTMENTS

If an organization has a formal HR group (perhaps a department), there are typically three different roles that group might play in the organization. Which of the roles predominates, or whether all three roles are performed,

FIGURE 1-1 HR MANAGEMENT FUNCTIONS



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depends on what management wants HR to do and what competencies the HR staff has demonstrated. The three roles are

- *Administrative*: Focusing on clerical administration and recordkeeping, including essential legal paperwork and policy implementation
- *Operational and employee advocacy*: Managing most HR activities in keeping with the strategies and operations that have been identified by

management and serving as employee “champion” for employee issues and concerns

- *Strategic:* Helping to define the business strategy relative to human capital and its contribution to organizational results

Although traditionally the administrative role has been the dominant one for HR, there is a growing emphasis on the operational and employee-advocate roles in most organizations. The strategic role requires that the HR team has the ability and orientation to contribute to strategic organizational decisions, and it requires recognition by upper management of those skills for implementation of HR practices. The strategic role in HR is less common, but is reportedly growing.

Some HR administrative functions can be outsourced to vendors. Outsourcing of HR administrative activities has grown dramatically in HR areas such as employee assistance (counseling), retirement planning, benefits administration, payroll services, and outplacement services. The primary reasons that HR functions are outsourced are to save money on HR staffing and to take advantage of specialized vendor expertise and technology.

HR has been viewed as the “employee advocate” in some organizations. As the voice for employee concerns, HR professionals traditionally may serve as “company morale officers,” but they tend to spend considerable time on HR “crisis management” in dealing with employee problems that are work-related. Employee advocacy helps ensure fair and equitable treatment for employees regardless of personal background or circumstances.

In the strategic role, HR is proactive in addressing and planning for business realities, focusing on future business needs, and understanding how the need for human capital fits into those plans and needs. HR may or may not help formulate strategies for the organization as a whole; it may merely carry them out.

1-5 HUMAN RESOURCES MANAGEMENT CHALLENGES

As the field of HR management evolves, the contemporary global marketplace creates pressure for even more, and faster, change. The challenges of competing in this environment lead to cost pressures, the need to adapt to globalization, changes in the workforce, and the need for HR technology to keep up.

Competition maintains pressure on business organizations to keep costs down so that prices for goods or services will not become excessive and customers will not be lost. Global competitors, technology changes, and cost concerns are also reflected in changing jobs. Jobs are seldom static but rather are changing and evolving along with the organization. As work must be done differently, jobs often change as well and are sometimes no longer needed.

1-5a Competition/Job Changes

An overriding issue facing managers and organizations is how to operate in a “cost-less” mode, which means continually looking for ways to reduce costs of all types—financial, operations, equipment, and labor. Pressures from global

competitors have forced many U.S. firms to close facilities, use international outsourcing, adapt their management practices, increase productivity, and decrease labor costs to become more competitive. These shifts have caused some organizations to reduce the number of workers, while making them attract and retain employees with different capabilities than were previously needed. The human cost associated with downsizing has resulted in increased workloads, some loss of employee loyalty, and higher turnover among the remaining employees.

Various regions of the United States face significant workforce shortages because of an inadequate supply of workers with the skills needed to perform emerging new jobs. It may not be that there are too few people—only that there are too few with many of the skills being demanded. For instance, the hardest jobs to fill today are engineers, nurses, technicians, certain teachers, and sales representatives.

Even though many Americans are graduating from high school and college, employers are concerned about the preparation and specific skills of new graduates. Test results show that students in the United States perform slightly above worldwide average in math and science but *well below* students in some other nations directly competing with the United States. Also, graduates with degrees in computer science, engineering, and the health sciences remain in short supply relative to the demand for them. Unless major improvements are made to U.S. educational systems, U.S. employers will be unable to find enough qualified workers for the growing number of skilled jobs. However, some groups in the population feel that it is the job of business to offer jobs to people without much regard for their skills,³ and global competition is not understood by these groups to be an issue worthy of consideration.

1-5b Global Influences

Many economic factors are linked to different political, legal, cultural, and economic systems. For example, in many developed countries, especially in Europe, both employment restrictions and wage levels are high. When labor costs in the United States are compared with those in Germany, the differences are significant. As a result of these differences, many U.S. and European firms are moving jobs to lower-wage countries.

Critics of globalization cite the extremely low wage rates paid by some international firms and the substandard working conditions that exist in some underdeveloped countries, such as those found in Apple computer factories in China.⁴ Various advocacy groups have accused global firms of being “sweatshop employers.” As a result, some global employers have made efforts to ensure that foreign factories adhere to higher HR and employee standards, but others have not. Global employers counter that even though the wage rates in some countries are low compared to those in the United States, their employees often receive the highest wages and experience the best working conditions that exist in those countries. Also, they argue that outsourcing of jobs from the United States brings more jobs into the host countries, which typically have very high rates of unemployment and poverty, allowing those workers to improve their living standards where they otherwise could not.

1-5c A Changing Workforce

The U.S. workforce is more diverse racially and ethnically, and employs more women, than ever before, and the average age of its members is increasing. As a result of these demographic shifts, HR management in organizations has had to adapt to a more varied labor force both externally and internally. The changing workforce has raised employer concerns and requires increasing attention to resolve these concerns.

For many workers in the United States, balancing the demands of family and work is a significant challenge. Although that balancing has always been a concern since women joined the workforce, the increased number of working women and dual-career couples has resulted in greater tension for many workers, both male and female. Employers have had to respond to work/family concerns to retain employees. Responses have included greater use of job sharing, the establishment of child-care services in the workplace, increased flexibility in hours, and work-life programs.

In many of the more economically developed countries, the population is aging and the birth rate slowing, resulting in a significantly older workforce. In the United States, during the second decade of the twenty-first century, a significant number of experienced employees will be retiring, changing to part-time work, or otherwise shifting their employment. Replacing the experience and talents of longer-service workers is a challenge facing employers in all industries.

Contingent workers (temporary workers, independent contractors, leased employees, and part-timers) now represent about one-fourth of the U.S. workforce.⁵ Many employers operate with a core group of regular employees who have critical skills and then expand and shrink the workforce by using contingent workers.

The number of contingent workers has grown for many reasons. One reason is the economic factor. Temporary workers are used to replace full-time employees, and many contingent workers are paid less and/or receive fewer benefits than regular employees.

Another reason for the increased use of contingent workers is that it may reduce legal liability for some employers. As more employment-related lawsuits are filed, employers have become more wary about adding regular full-time employees. By using contract workers, including those in other countries, employers may reduce many legal issues regarding selection, discrimination, benefits, discipline, and termination.

1-5d HR Technology

Using technology to support HR activities can increase the efficiency of the administrative HR functions and reduce costs. Managers benefit from readily available relevant information about employees. Properly designed systems provide historical information on performance, pay, training, career progress, and disciplinary actions. On the basis of this information, managers can make better HR-related decisions. To maximize the value of technology, systems should be integrated into the overall IT plan and enterprise software of the organization.