

FIFTEENTH EDITION

# HUMAN RESOURCE MANAGEMENT



Mathis | Jackson | Valentine | Meglich

FIFTEENTH EDITION

# HUMAN RESOURCE MANAGEMENT

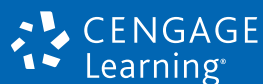


Robert L. Mathis  
*University of  
Nebraska at Omaha*

John H. Jackson  
*University of  
Wyoming*

Sean R. Valentine  
*University of  
North Dakota*

Patricia A. Meglich  
*University of  
Nebraska at Omaha*



Australia • Brazil • Mexico • Singapore • United Kingdom • United States

This is an electronic version of the print textbook. Due to electronic rights restrictions, some third party content may be suppressed. Editorial review has deemed that any suppressed content does not materially affect the overall learning experience. The publisher reserves the right to remove content from this title at any time if subsequent rights restrictions require it. For valuable information on pricing, previous editions, changes to current editions, and alternate formats, please visit [www.cengage.com/highered](http://www.cengage.com/highered) to search by ISBN#, author, title, or keyword for materials in your areas of interest.

Important Notice: Media content referenced within the product description or the product text may not be available in the eBook version.

**Human Resource Management,  
Fifteenth Edition****Robert L. Mathis, John H. Jackson  
Sean R. Valentine, Patricia A. Meglich**Vice President, General Manager, Social  
Science & Qualitative Business:  
Erin Joyner

Product Director: Jason Fremder

Senior Product Manager: Scott Person

Content Developer: Jamie Mack

Product Assistant: Brian Pierce

Marketing Director: Kristen Hurd

Marketing Manager: Emily Horowitz

Marketing Coordinator: Chris Walz

Art and Cover Direction, Production  
Management, and Composition:  
Lumina Datamatics, Inc

Intellectual Property

Analyst: Diane Garrity

Project Manager: Betsy Hathaway

Manufacturing Planner: Ron Montgomery

Cover and Internal Image: aleisha/  
Shutterstock.com

© 2017, 2014 Cengage Learning

WCN: 02-200-203

ALL RIGHTS RESERVED. No part of this work covered by the copyright herein may be reproduced, transmitted, stored, or used in any form or by any means graphic, electronic, or mechanical, including but not limited to photocopying, recording, scanning, digitizing, taping, Web distribution, information networks, or information storage and retrieval systems, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the publisher.

For product information and technology assistance, contact us at  
**Cengage Learning Customer & Sales Support, 1-800-354-9706**

For permission to use material from this text or product,  
submit all requests online at **www.cengage.com/permissions**

Further permissions questions can be emailed to  
**permissionrequest@cengage.com**

Library of Congress Control Number: 2015949189

Student Edition:

ISBN: 978-1-305-50070-9

Loose-leaf Edition:

ISBN: 978-1-305-50075-4

**Cengage Learning**20 Channel Center Street  
Boston, MA 02210  
USA

Cengage Learning is a leading provider of customized learning solutions with employees residing in nearly 40 different countries and sales in more than 125 countries around the world. Find your local representative at **www.cengage.com**.

Cengage Learning products are represented in Canada by  
Nelson Education, Ltd.

To learn more about Cengage Learning Solutions, visit **www.cengage.com**

Purchase any of our products at your local college store or at our  
preferred online store **www.cengagebrain.com**

Unless otherwise noted all items © Cengage Learning.

# DEDICATIONS

TO

Jo Ann Mathis,  
for managing efforts on this book, and  
Julie Foster and Lee Skoda as key supporters.

R.D. and M.M. Jackson,  
who were successful managers of people for many years.

Page and Will,  
for their love and support, as well as my parents, family,  
and friends who have helped through the years.

Thank you to my parents,  
Robert and Margaret Meglich, and to family, friends, and colleagues  
who have encouraged me along life's journey.



# BRIEF CONTENTS

	Preface	xxiii
<b>SECTION 1</b>	<b>The Environment of Human Resource Management</b>	<b>1</b>
CHAPTER 1	Human Resource Management in Organizations	2
CHAPTER 2	Human Resource Strategy and Planning	42
CHAPTER 3	Equal Employment Opportunity	80
<b>SECTION 2</b>	<b>Jobs and Labor</b>	<b>121</b>
CHAPTER 4	Workforce, Jobs, and Job Analysis	122
CHAPTER 5	Individual/Organization Relations and Retention	162
CHAPTER 6	Recruiting High-Quality Talent	198
CHAPTER 7	Selecting Human Resources	238
<b>SECTION 3</b>	<b>Talent Development</b>	<b>279</b>
CHAPTER 8	Training Human Resources	280
CHAPTER 9	Talent, Careers, and Development	320
CHAPTER 10	Performance Management and Appraisal	362
<b>SECTION 4</b>	<b>Compensation</b>	<b>399</b>
CHAPTER 11	Total Rewards and Compensation	400
CHAPTER 12	Variable Pay and Executive Compensation	444
CHAPTER 13	Managing Employee Benefits	482
<b>SECTION 5</b>	<b>Employee Relations</b>	<b>527</b>
CHAPTER 14	Risk Management and Worker Protection	528
CHAPTER 15	Employee Rights and Responsibilities	570
CHAPTER 16	Union–Management Relations	610
<b>APPENDICES</b>		<b>653</b>
APPENDIX A	PHR® and SPHR® Bodies of Knowledge and Test Specifications	653
APPENDIX B	Human Resource Management Resources	661
APPENDIX C	Major Federal Equal Employment Opportunity Laws and Regulations	665
APPENDIX D	Uniform Guidelines on Employee Selection	667

APPENDIX E      Pre-Employment Inquiries 671  
APPENDIX F      Equal Employment Opportunity Enforcement 675  
APPENDIX G      Sample HR-Related Job Descriptions and Job Specifications 679

**Glossary 681**

**Author Index 691**

**Subject Index 696**



# TABLE OF CONTENTS

Preface xxiii

## SECTION 1

# The Environment of Human Resource Management 1

## CHAPTER 1

### Human Resource Management in Organizations 2

**HR HEADLINE:** Entrepreneurial HR Culture at MGM Resorts International 3

#### 1-1 What Is Human Resource Management? 5

1-1a Why Organizations Need HR Management 5

**HR PERSPECTIVE:** Transforming HR at Popeyes Louisiana Kitchen 7

#### 1-2 Managing Human Resources in Organizations 8

1-2a Human Resource Management as a Core Competency 8

1-2b Employees as a Core Competency 8

#### 1-3 HR Management Functions 13

**HR COMPETENCIES & APPLICATIONS:** Building Healthy Organizations 14

#### 1-4 Roles for Human Resource Departments 17

1-4a Administrative Role for Human Resources 18

1-4b Operational and Employee Advocate Role for Human Resources 18

1-4c Strategic Role for Human Resources 19

#### 1-5 Human Resources Management Challenges 19

1-5a Competition, Cost Pressures, and Restructuring 20

1-5b Globalization 22

1-5c A Changing Workforce 25

1-5d Human Resources and Technology 26

#### 1-6 Organizational Ethics and Human Resource Management 28

1-6a Ethical Culture and Practices 29

**HR ETHICS:** HR Links Employee Volunteering to Social Responsibility 30

1-6b Ethics and Global Differences 30

1-6c Role of Human Resources in Organizational Ethics 31

#### 1-7 Human Resources Management Competencies and Careers 32

1-7a Human Resources Competencies 32

1-7b Human Resource Management as a Career Field 34

1-7c Human Resource Professionalism and Certification 34

Summary 36

Critical Thinking Challenges 37

Case: Water Quality Association: Building Competencies with Technology 37

Supplemental Cases: Rio Tinto: Redesigning HR; Phillips Furniture; Sysco; HR, Culture, and Success at Google, Scripps, and UPS 39

End Notes 39

## CHAPTER 2

### Human Resource Strategy and Planning 42

**HR HEADLINE:** HR Planning and the North Dakota Oil Boom 43

#### 2-1 Organizational Strategic Planning 44

2-1a Strategy Formulation 45

2-1b Good versus Bad Strategy 45

**HR PERSPECTIVE:** Encouraging the Evaluation and Reallocation of Strategic Assets 46

#### 2-2 Human Resources and Strategy 47

2-2a Human Resource Contributions to Strategy 48

2-2b Human Resources Strategies for Global Competitiveness 49

**HR COMPETENCIES & APPLICATIONS:** Latin American Firms Face Staffing Problems 52

#### 2-3 Human Resource Planning 53

2-3a Human Resources Planning Process 53

2-3b Environmental Analysis 54

#### 2-4 Planning for External Workforce Availability 55

2-4a Economic and Governmental Factors 55

2-4b Geographic and Competitive Evaluations 56

2-4c Changing Workforce Considerations 56

#### 2-5 Planning for Internal Workforce Availability 57

2-5a Current and Future Jobs Audit 57

2-5b Employee and Organizational Capabilities Inventory 57

#### 2-6 Forecasting HR Supply and Demand 58

2-6a Forecasting Methods and Periods 58

2-6b Forecasting the Demand (Need) for Human Resources 58

2-6c Forecasting the Supply (Availability) of Human Resources 59

**HR COMPETENCIES & APPLICATIONS:** Using Workforce Planning to Improve Hiring 61

#### 2-7 Workforce Supply ≠ Demand 62

2-7a Managing a Talent Surplus 63

2-7b Legal Considerations for Workforce Reductions 64

2-7c Managing a Talent Shortage 65

#### 2-8 Human Resources Planning in Mergers and Acquisitions 66

2-8a Before the Deal 67

2-8b During Integration 67

2-8c Post-Integration 68

#### 2-9 Measuring the Effectiveness of Human Resources and Human Capital 68

**HR PERSPECTIVE:** A Tale of Two Cultures: Vocon and Conant Architects 69

2-9a HR Metrics and Analytics 70

2-9b Human Resources and Benchmarking 71

2-9c Human Resources and the Balanced Scorecard 72

2-9d Human Capital Effectiveness Measures 73

2-9e Human Resources Audit 74

Summary 75

Critical Thinking Challenges 76

Case: HR's Performance Consulting at Ingersoll Rand 76

Supplemental Cases: Analytics at PricewaterhouseCoopers; Where Do You Find the Bodies?; Xerox; Pioneers in HR Analytics 77

End Notes 77

## CHAPTER 3

### Equal Employment Opportunity 80

---

**HR HEADLINE:** American Airlines Balances Workplace and Faith 81

#### 3-1 The Nature of Equal Employment Opportunity 82

3-1a Sources of Regulation and Enforcement 83

**HR ETHICS:** Handbooks and Codes Reconcile Global Employment Laws 84

#### 3-2 Theories of Unlawful Discrimination 86

3-2a Equal Employment Opportunity Concepts 87

**HR COMPETENCIES & APPLICATIONS:** What to Do When the EEOC Comes Knocking 89

#### 3-3 Broad-Based Discrimination Laws 90

3-3a Civil Rights Act of 1964, Title VII 90

3-3b Civil Rights Act of 1991 91

3-3c Executive Orders 11246, 11375, and 11478 92

3-3d Managing Affirmative Action Requirements 92

3-3e Managing Racial and Ethnic Discrimination Issues 92

#### 3-4 Sex and Gender Discrimination Laws and Regulations 93

3-4a Pregnancy Discrimination 94

3-4b Equal Pay and Pay Equity 94

3-4c Managing Sex and Gender Issues 96

**HR PERSPECTIVE:** Sociometric Solutions Study Reveals Gender Bias 97

3-4d Sexual Orientation 98

3-4e Nepotism 98

3-4f Consensual Relationships and Romance at Work 98

#### 3-5 Sexual Harassment 99

3-5a Types of Sexual Harassment 99

3-5b Current Sexual Harassment Issues 100

3-5c Preventing Sexual Harassment 100

#### 3-6 Disability Discrimination 101

3-6a Rehabilitation Act 101

3-6b Americans with Disabilities Act 101

3-6c ADA Amendments Act 102

3-6d ADA and Job Requirements 103

3-6e Claims of Discrimination 106

3-6f Genetic Bias Regulations 106

#### 3-7 Age Discrimination Laws 107

3-7a Age Discrimination in Employment Act 107

3-7b Older Workers Benefit Protection Act 108

3-7c Managing Age Discrimination 108

#### 3-8 Religion and Spirituality in the Workplace 109

3-8a Managing Religious Diversity 111

#### 3-9 Managing Other Discrimination Issues 111

3-9a Immigration Reform and Control Acts 111

3-9b Language Issues 113

3-9c Military Status Protections 113

3-9d Appearance and Weight Discrimination 114

#### 3-10 Diversity Training 114

3-10a Components of Traditional Diversity Training 115

3-10b Mixed Results for Diversity Training 115

3-10c Improving Diversity Training Efforts 115

Summary 116  
 Critical Thinking Challenges 116  
 Case: Conflict over an Employee’s Pregnancy at UPS 117

Supplemental Cases: Worker Exploitation at Foxconn/Hon Hai; Keep on Trucking; Mitsubishi Believes in EEO—Now; Religious Accommodation? 117  
 End Notes 118

**SECTION 2**

**Jobs and Labor 121**

**CHAPTER 4  
 Workforce, Jobs, and Job Analysis 122**

**HR HEADLINE:** Work–Life Balance for All at BDO USA 123

**4-1 The Workforce Profile 125**  
 4-1a Important Elements of the Workforce Profile 126

**HR COMPETENCIES & APPLICATIONS:**  
 Companies Need Skillful Introverts 128

**4-2 The Nature of Work and Jobs 131**  
 4-2a Workflow Analysis 131  
 4-2b Job Design/Job Redesign 133  
 4-2c Using Contingent Workers as Job Design 134  
 4-2d Common Approaches to Job Design 134  
 4-2e Characteristics of Jobs to Consider in Design 135  
 4-2f Using Teams in Job Design 137

**HR COMPETENCIES & APPLICATIONS:**  
 Telecommuting in the Global Business Environment 138

4-2g Teams and Work Efforts 139

**4-3 Designing Flexible Jobs 139**  
 4-3a Place Flexibility: Telework 140  
 4-3b Time Flexibility: Work Scheduling 141

4-3c Managing Flexible Work 142  
 4-3d Flexibility and Work–Life Balance 142

**HR PERSPECTIVE:** Convention and Visitors Bureau Keeps Flexwork in Perspective 143

**4-4 Understanding Job Analysis 144**  
 4-4a Purposes of Job Analysis 144  
 4-4b Job Analysis Responsibilities 145  
 4-4c Task-Based Job Analysis 146  
 4-4d Competency-Based Job Analysis 146

**4-5 Implementing Job Analysis 147**  
 4-5a Plan the Job Analysis 147  
 4-5b Prepare for and Introduce the Job Analysis 148  
 4-5c Conduct the Job Analysis 148  
 4-5d Develop Job Descriptions and Job Specifications 148  
 4-5e Maintain and Update Job Descriptions and Job Specifications 148

**4-6 Job Analysis Methods 148**  
 4-6a Observation 149  
 4-6b Interviewing 149  
 4-6c Questionnaires 149  
 4-6d Job Analysis and O\*Net 150

**4-7 Behavioral and Legal Aspects of Job Analysis 151**  
 4-7a Current Incumbent Emphasis 151  
 4-7b “Inflation” of Jobs and Job Titles 151

4-7c Employee and Managerial Concerns 152	
4-7d Legal Aspects of Job Analysis 153	
<b>4-8 Job Descriptions and Job Specifications 154</b>	
4-8a Job Descriptions 154	
4-8b Job Specifications 154	
4-8c Performance Standards 154	
4-8d Job Description Components 154	
<b>HR COMPETENCIES &amp; APPLICATIONS:</b> Writing Appropriate Job Descriptions 155	
Summary 157	
Critical Thinking Challenges 158	
Case: Unilever Jumps on the Flexible Work Bandwagon 158	
Supplemental Cases: Bon Secours Health Care; The Reluctant Receptionist; Jobs and Work at R. R. Donnelley; Flexible Work and Success at Best Buy 159	
End Notes 159	
<b>CHAPTER 5</b>	
<b>Individual/Organization Relations and Retention 162</b>	
<hr/>	
<b>HR HEADLINE:</b> Networking Engagement at Google and Yahoo 163	
<b>5-1 Individuals at Work 164</b>	
5-1a Individual Performance Factors 165	
5-1b Individual Motivation 166	
5-1c Management Implications for Motivating Individual Performance 169	
<b>HR ETHICS:</b> Working with Slackers Hurts Motivation 169	
<b>5-2 Individual Workers and Organizational Relationships 170</b>	
5-2a Psychological Contract 171	
5-2b Job Satisfaction and Commitment 172	
5-2c Employee Engagement, Loyalty, and Organizational Citizenship 174	
<b>HR COMPETENCIES &amp; APPLICATIONS:</b> Defeating Unengaged Employee Zombies 176	
<b>5-3 Employee Absenteeism 177</b>	
5-3a Types of Absenteeism 177	
5-3b Controlling Absenteeism 177	
5-3c Measuring Absenteeism 179	
<b>5-4 Employee Turnover 179</b>	
<b>HR PERSPECTIVE:</b> Rosemont Center Takes Care of Turnover 181	
5-4a Types of Employee Turnover 182	
5-4b Measuring Employee Turnover 183	
<b>5-5 HR Metrics: Determining Turnover Costs 184</b>	
5-5a Detailing Turnover Cost 184	
5-5b Optimal Turnover 185	
<b>5-6 Retaining Talent 185</b>	
5-6a Myths and Realities about Retention 186	
5-6b Drivers of Retention 186	
<b>HR PERSPECTIVE:</b> Aspenware Uses Perks to Help Retention 189	
5-6c Retention of Top Performers 190	
<b>5-7 Managing Retention 191</b>	
5-7a Retention Assessment and Metrics 191	
<b>HR COMPETENCIES &amp; APPLICATIONS:</b> Conducting Exit Interviews 193	
5-7b Retention Evaluation and Follow-Up 193	
Summary 194	
Critical Thinking Challenges 194	
Case: Carolina Biological Uses Survey to Assess Worker Engagement 195	
Supplemental Cases: The Clothing Store; Accenture: Retaining for Itself; Alegent Health 195	
End Notes 196	

**CHAPTER 6**  
**Recruiting High-Quality Talent 198**

**HR HEADLINE:** And the Winner ... Gets the Job 199

**6-1 Recruiting 200**

6-1a Strategic Recruiting and Human Resources Planning 201

**6-2 Strategic Recruiting Decisions 202**

6-2a Assigning Responsibility for Recruiting 202  
 6-2b Employment Branding and Employer of Choice 203

**HR COMPETENCIES & APPLICATIONS:** Manage Your Employment Brand 204

6-2c Core versus Flexible Staffing 204  
 6-2d Recruiting and EEO: Diversity Considerations 207

**HR COMPETENCIES & APPLICATIONS:** Getting Helicopter Parents into the Hangar 209

**6-3 Understanding Labor Markets 209**

6-3a Elements of the Labor Market 210  
 6-3b Recordkeeping of Applications 211  
 6-3c Different Labor Markets and Recruiting 212

**HR PERSPECTIVE:** Decoding Military Resumes 213

6-3d Recruiting Source Choices: Internal versus External 214

**6-4 Technology for Recruiting 215**

6-4a Social Media and Networking 215  
 6-4b Web-Based Recruiting Options 216  
 6-4c E-Video and Recruiting 217  
 6-4d Gamification 217

6-4e Legal Issues in Internet Recruiting 218  
 6-4f Advantages of Using Technology in Recruiting 219  
 6-4g Disadvantages of Using Technology in Recruiting 219

**6-5 Internal Recruiting Methods 219**

6-5a Organizational Databases 220  
 6-5b Job Posting 220  
 6-5c Employee-Focused Recruiting 221

**HR PERSPECTIVE:** Employee Referrals Go “Social” 222

**6-6 External Recruiting Sources 223**

6-6a Media Sources 223  
 6-6b Competitive Recruiting Sources 224  
 6-6c Employment Agencies 225  
 6-6d Labor Unions 225  
 6-6e Job Fairs and Creative Recruiting 225  
 6-6f Educational Institutions and Recruiting 226

**6-7 Recruiting Evaluation and Metrics 228**

6-7a Evaluating Recruiting Quantity and Quality 228  
 6-7b Evaluating Recruiting Satisfaction 229  
 6-7c Evaluating the Time Required to Fill Openings 229  
 6-7d Evaluating the Cost of Recruiting 230  
 6-7e General Recruiting Process Metrics 230  
 6-7f Increasing Recruiting Effectiveness 232

Summary 233

Critical Thinking Challenges 233

Case: Finding Employees in the Customer Database 234

Supplemental Cases: Is FedEx Recruiting Employees or Independent Contractors?; Recruiting at Kia; Northwest State College; Enterprise Recruiting 235

End Notes 235

## CHAPTER 7

### Selecting Human Resources 238

**HR HEADLINE:** Do Creative Job Seekers Score? 239

#### 7-1 Selection and Placement 240

- 7-1a Placement 240
- 7-1b Selection Responsibilities 241
- 7-1c Selection, Criteria, Predictors, and Job Performance 242
- 7-1d Reliability and Validity 243

**HR COMPETENCIES & APPLICATIONS:** Understanding Errors in Selection Decision Making 244

- 7-1e Combining Predictors 245

#### 7-2 The Selection Process 247

- 7-2a Legal Considerations in Selection 247
- 7-2b Applicant Job Interest 249
- 7-2c Pre-Employment Screening 249
- 7-2d Applications and Résumés 250

**HR PERSPECTIVE:** The Good Housekeeping Seal of Approval? 253

- 7-2e Security Concerns and Immigration Verification 253

#### 7-3 Selection Testing 254

- 7-3a Ability Tests 254
- 7-3b Personality Tests 255
- 7-3c Emotional Intelligence Tests 257

**HR PERSPECTIVE:** Behavioral Assessments 258

- 7-3d Honesty and Integrity Tests 259

#### 7-4 Selection Interviews 259

- 7-4a Interview Quality 260

- 7-4b Structured Interviews 260
- 7-4c Less-Structured Interviews 261

**HR COMPETENCIES & APPLICATIONS:** Catching STAR Employees 262

- 7-4d Who Conducts Interviews? 263
- 7-4e Effective Interviewing 263
- 7-4f Problems in the Interview 265

#### 7-5 Background Investigations 266

- 7-5a Negligent Hiring and Retention 266
- 7-5b Legal Constraints on Background Investigations 266
- 7-5c Medical Examinations and Inquiries 267

**HR COMPETENCIES & APPLICATIONS:** Ban-the-Box Legislation Proposed 268

- 7-5d Previous Employment Checks and Personal References 269
- 7-5e Additional Selection Criteria 269
- 7-5f Making the Job Offer 270

#### 7-6 Global Staffing 271

- 7-6a Types of Global Employees 271
- 7-6b Selection Process for Global Assignments 271

Summary 273

Critical Thinking Challenges 273

Case: It's All in the Family 274

Supplemental Cases: Using Data to Enhance Hiring Decisions; Full Disclosure on Sex Offenders?; Strategic Selection: A Review of Two Companies; Selecting a Programmer 275

End Notes 275



## SECTION 3

## Talent Development 279

## CHAPTER 8

## Training Human Resources 280

**HR HEADLINE:** Training Impacts Bottom Line 281

## 8-1 Organizational Strategy and Training 282

- 8-1a Strategic Training 283
- 8-1b Investing in Training 283
- 8-1c Organizational Competitiveness and Training 284
- 8-1d Global Competitiveness and Training 286

## 8-2 Training and Human Resources 287

- 8-2a Legal Issues and Training 287

**HR COMPETENCIES & APPLICATIONS:** Assessing Cultural Competence 288

- 8-2b Training Categories 289
- 8-2c New Employee Orientation/ Onboarding 290
- 8-2d Orientation: Evaluation and Metrics 292

## 8-3 Instructional Systems Design 292

## 8-4 Training Needs Assessment 293

- 8-4a Analysis of Training Needs 294
- 8-4b Establishing Training Objectives and Priorities 295

## 8-5 Training Design 296

- 8-5a Learner Characteristics 297
- 8-5b Instructional Strategies 298

**HR COMPETENCIES & APPLICATIONS:** Training a Multi-generational Workforce 299

- 8-5c Training Transfer 301

## 8-6 Training Delivery 302

- 8-6a Internal Training 303
- 8-6b External Training 305
- 8-6c Combination Training Approaches 306

**HR PERSPECTIVE:** Building Talent 307

## 8-7 Technology in Training Delivery 307

- 8-7a E-Learning: Online Training 308
- 8-7b Simulations and Games 309
- 8-7c Mobile Learning 309
- 8-7d Pros and Cons of Technology-Supported E-Learning 310

## 8-8 Training Evaluation 311

- 8-8a Levels of Evaluation 311
- 8-8b Training Evaluation Metrics 312
- 8-8c Training Evaluation Designs 313

Summary 314

Critical Thinking Challenges 315

Case: Saving Lives through Effective Training 315

Supplemental Cases: Using Performance Support to Improve Learning; Training Crucial for Hotels; New Payroll Clerk; Onboarding in the Twenty-First Century 316

End Notes 316

## CHAPTER 9

## Talent, Careers, and Development 320

**HR HEADLINE:** Driven to Develop Employees 321

## 9-1 Talent Management as Strategy 322



<b>9-2 Talent Management in Perspective 324</b>	
9-2a Talent Management Information Systems 324	
<b>HR COMPETENCIES &amp; APPLICATIONS: Managing Talent for Success 325</b>	
9-2b Scope of Talent Management 326	
9-2c High-Potential Individuals 328	
<b>HR ETHICS: HiPo or Non-HiPo? 329</b>	
<b>9-3 Succession Planning 330</b>	
9-3a Succession Planning Process 331	
9-3b Succession Planning Decisions 332	
9-3c Benefits of Succession Planning 333	
<b>HR COMPETENCIES &amp; APPLICATIONS: Do's and Don'ts of Succession Planning 334</b>	
<b>9-4 Careers and Career Planning 335</b>	
9-4a Changing Nature of Careers 335	
9-4b Organization-Centered Career Planning 337	
9-4c Individual-Centered Career Planning 338	
9-4d Career Progression Considerations 340	
9-4e Career Transitions 342	
<b>9-5 Common Individual Career Problems 343</b>	
9-5a Technical and Professional Workers 343	
9-5b Women and Careers 343	
9-5c Dual-Career Couples 344	
9-5d Global Career Concerns 344	
<b>9-6 Developing Human Resources 345</b>	
9-6a Possible Development Focuses 346	
9-6b Development Needs Analyses 347	
<b>HR COMPETENCIES &amp; APPLICATIONS: Leveling Development Focus 348</b>	
<b>9-7 Talent Development Approaches 349</b>	
9-7a Job-Site Development Approaches 349	
9-7b Off-Site Development Approaches 350	
<b>9-8 Management and Leader Development 352</b>	
9-8a Problems with Management Development Efforts 352	
9-8b Supervisor Development 353	
9-8c Leadership Development 353	
<b>HR PERSPECTIVE: Playing the Leadership Game 354</b>	
Summary 356	
Critical Thinking Challenges 356	
Case: Walmart's Boot Camp for Top Leaders 357	
Supplemental Cases: Leadership Leverage; Equipping for the Future; Developed Today, Gone Tomorrow 358	
End Notes 358	
<b>CHAPTER 10</b>	
<b>Performance Management and Appraisal 362</b>	
<hr/>	
<b>HR HEADLINE: Gamification Makes Evaluations Fun at Persistent Systems 363</b>	
<b>10-1 The Nature of Performance Management 364</b>	
10-1a Global Cultural Differences in Performance Management 365	
<b>HR PERSPECTIVE: Goals Guide Performance at Mitchell International and Tornier 366</b>	
10-1b Performance-Focused Organizational Cultures 367	
<b>10-2 Identifying and Measuring Employee Performance 368</b>	
10-2a Types of Performance Information 368	
10-2b Performance Standards 370	
10-2c Performance Metrics in Service Businesses 371	
<b>10-3 Performance Appraisals 372</b>	
10-3a Performance Appraisals and Ethics 373	

**HR PERSPECTIVE:** Making Appraisals Work at Hilton Worldwide 373

- 10-3b Uses of Performance Appraisals 374
- 10-3c Decisions about the Performance Appraisal Process 375
- 10-3d Legal Concerns and Performance Appraisals 377

**10-4 Who Conducts Appraisals? 377**

- 10-4a Supervisory Ratings of Subordinates 377

**HR COMPETENCIES & APPLICATIONS:** Elements of a Legal Performance Appraisal System 378

- 10-4b Employee Ratings of Managers 378
- 10-4c Team/Peer Ratings 379
- 10-4d Self-Ratings 379
- 10-4e Outsider/Customer Ratings 379
- 10-4f Multisource/360-Degree Rating 380

**HR ETHICS:** Building Ethics with Multisource Appraisals and Coaching 382

**10-5 Tools for Appraising Performance 382**

- 10-5a Category Scaling Methods 383
- 10-5b Graphic Rating Scales 383
- 10-5c Comparative Methods 385

- 10-5d Narrative Methods 388
- 10-5e Goal Setting and Management by Objectives 388

**HR COMPETENCIES & APPLICATIONS:** Mentorships Require Dynamic Goal Setting 389

- 10-5f Combinations of Methods 390

**10-6 Training Managers and Employees in Performance Appraisal 391**

- 10-6a Rater Errors 391

**10-7 Appraisal Feedback 393**

- 10-7a The Appraisal Interview 393
- 10-7b Reactions of Managers and Employees 393
- 10-7c Effective Performance Management 394

Summary 395

Critical Thinking Challenges 395

Case: Microsoft Jettisons Stack Rankings 396

Supplemental Cases: Performance Management at Netflix; Performance Management Improvements for Bristol-Myers Squibb; Building Performance through Employee Participation; Unequal/Equal Supervisors 396

End Notes 397

**SECTION 4**

**Compensation 399**

**CHAPTER 11**  
**Total Rewards and Compensation 400**

**HR HEADLINE:** Aztec Shops Uses Time-Tracking Software 401

**11-1 Nature of Total Rewards and Compensation 403**

- 11-1a Components of Compensation 404

**11-2 Laws Governing Compensation 406**

- 11-2a Fair Labor Standards Act (FLSA) 406

**HR COMPETENCIES & APPLICATIONS:** It's Break Time! Wait...Should I Get Paid? 410

- 11-2b Pay Equity Laws 411
- 11-2c Independent Contractor Regulations 411
- 11-2d Additional Laws Affecting Compensation 412

<b>11-3 Strategic Compensation Decisions</b>	<b>413</b>
11-3a Organizational Climate and Compensation Philosophies	413
11-3b Communicating Pay Philosophy	414
11-3c Compensation Responsibilities	415
11-3d Human Resource Metrics and Compensation	415
<b>11-4 Compensation System Design Issues</b>	<b>416</b>
11-4a Motivation Theories and Compensation Philosophies	416
<b>HR PERSPECTIVE:</b> Using Predictive Analytics to Determine Pay	417
11-4b Compensation Fairness and Equity	419
<b>HR ETHICS:</b> High-Tech Firms Collude to Limit Employee Pay	421
11-4c Market Competitive Compensation	421
11-4d Competency-Based Pay	423
11-4e Individual versus Team Rewards	423
<b>11-5 Global Compensation Issues</b>	<b>424</b>
11-5a International Assignees	424
<b>11-6 Developing a Base Pay System</b>	<b>425</b>
11-6a Job Evaluation Methods	426
<b>HR COMPETENCIES &amp; APPLICATIONS:</b> Point Factor Example	427
11-6b Market Pricing	428
11-6c Pay Surveys	429
<b>11-7 Pay Structures</b>	<b>430</b>
11-7a Pay Grades	431
11-7b Pay Ranges	432
11-7c Individual Pay	433
<b>11-8 Determining Pay Increases</b>	<b>434</b>
11-8a Performance-Based Increases	434
<b>HR ETHICS:</b> High-Paid Employees Misbehave at Holiday Parties	435
11-8b Standardized Pay Adjustments	437
11-8c Compensation Challenges	438
<b>Summary</b>	<b>438</b>

Critical Thinking Challenges	439
Case: Establishing Pay at United Grinding Technologies Incorporated	439
Supplemental Cases: Is the FLSA a Dinosaur?; Compensation Changes at JC Penney; Scientific Turmoil; Pay for Performance Enhances Employee Management at Scripps Health	440
End Notes	440

## CHAPTER 12

### Variable Pay and Executive Compensation 444

**HR HEADLINE:** Applause! Applause!! 445

<b>12-1 Variable Pay: Incentive for Performance</b>	<b>446</b>
12-1a Effective Variable Pay	448
12-1b Key Performance Indicators	450
12-1c Global Variable Pay	451
12-1d Three Levels of Variable Pay	451

**HR COMPETENCIES & APPLICATIONS:** Variable Pay around the World 452

<b>12-2 Individual Incentives</b>	<b>453</b>
12-2a Piece-Rate Systems	454
12-2b Bonuses	454

**HR COMPETENCIES & APPLICATIONS:** Tracking Time and Motion 455

12-2c Nonmonetary Incentives	456
<b>12-3 Work Unit/Team Incentives</b>	<b>458</b>
12-3a Design of Work Unit/Team Variable Pay	458
12-3b Work Unit/Team Incentive Challenges	460

**HR COMPETENCIES & APPLICATIONS:** Getting Free Riders Off the Train 460

12-3c Types of Work Unit or Team Incentives	462
---	-----

**12-4 Organizational Incentives 463**

- 12-4a Profit Sharing 463
- 12-4b Employee Stock Plans 464
- 12-4c Measuring the Effectiveness of Variable Pay Plans 465

**12-5 Sales Compensation 466**

**HR PERSPECTIVE:** Sales Commissions Run out of Gas 467

- 12-5a Types of Sales Compensation Plans 467
- 12-5b Sales Compensation Management Perspectives 469
- 12-5c Measuring Effectiveness of Sales Compensation 469

**12-6 Executive Compensation 471**

- 12-6a Executive Compensation Controversy 471
- 12-6b Reigning in Executive Compensation 472
- 12-6c Elements of Executive Compensation 472
- 12-6d Global Executive Compensation 474
- 12-6e Measuring the Effectiveness of Executive Compensation 475

Summary 476

Critical Thinking Challenges 476

Case: Want to Earn a Bonus? Work for Uncle Sam 477

Supplemental Cases: Best Buy Pays Big Bucks for CEO; Cash Is Good, Card Is Bad; Incentive Plans for Fun and Travel; Sodexo Incentives 478

End Notes 478

**CHAPTER 13**

**Managing Employee Benefits 482**

**HR HEADLINE:** Land O’Lakes Uses Benefits to Achieve Strategies 483

**13-1 Benefits and HR Strategy 485**

- 13-1a Benefits as a Competitive Advantage 486

13-1b Tax-Favored Status of Benefits 487

13-1c Global Benefits 487

**HR COMPETENCIES & APPLICATIONS:** Gross Up Pay Calculation 488

13-1d Public-Sector Benefits 489

**13-2 Managing Benefits 490**

13-2a Benefits Design 490

**13-3 Benefits Administration, Technology, and Communication 492**

13-3a Benefits Measurement 493

13-3b Benefit Cost Control 494

13-3c Benefit Communication 494

13-3d Types of Benefits 495

**13-4 Legally Required Benefits 496**

13-4a Social Security and Medicare 496

13-4b Workers’ Compensation 498

**HR COMPETENCIES & APPLICATIONS:** “One Token over the Line”—No Coverage for Medical Marijuana 499

13-4c Unemployment Compensation 499

13-4d Additional Legally Required Benefits 500

**13-5 Retirement Benefits 500**

13-5a Retirement Plan Concepts 501

13-5b Retirement Plans 502

**13-6 Legal Regulation of Retirement Benefits 505**

13-6a Employee Retirement Income Security Act 505

13-6b Retirement Benefits and Age Discrimination 505

**13-7 Health Care Benefits 506**

13-7a Increases in Health Benefit Costs 506

13-7b Health Care Reform Legislation 506

13-7c Employer-Sponsored Plans 507

13-7d Controlling Health Care Benefit Costs 508

13-7e Increasing Employee Contributions 509

13-7f Consumer-Driven Health Plans	509	13-10 Paid-Time-Off Benefits	518
13-7g Dental and Vision Coverage	510	13-10a Vacation Pay	518
13-7h Wellness Initiatives and Other Innovative Health Care Programs	510	<b>HR PERSPECTIVE:</b> Robins & Morton Builds Morale with Adoption Assistance	519
<b>HR PERSPECTIVE:</b> Innovative Health Care Programs Beneficial	511	13-10b Holiday Pay	519
13-7i Health Care Legislation	511	13-10c Leaves of Absence	520
<b>13-8 Financial Benefits</b>	<b>513</b>	13-10d Paid-Time-Off Plans	520
13-8a Insurance Benefits	513	13-10e Employee-Paid Group Benefits	520
13-8b Financial Services	514	Summary	521
13-8c Education Assistance	514	Critical Thinking Challenges	521
13-8d Severance Pay	515	Case: The Limited Taps Technology to Communicate Benefits	522
<b>13-9 Family-Oriented Benefits</b>	<b>515</b>	Supplemental Cases: Creative Benefits Tie Employees to the Company; Delivering Benefits; Benefiting Connie; Strategic Benefits at KPMG Canada	523
13-9a Family and Medical Leave Act	515	End Notes	523
<b>HR PERSPECTIVE:</b> Helping Employees Realize the American Dream	516		
13-9b Family-Care Benefits	517		

## SECTION

## 5

## Employee Relations 527

---

### CHAPTER 14

#### Risk Management and Worker Protection 528

---

**HR HEADLINE:** Driven to Be the Best 529

#### 14-1 Safety and Health Regulations 531

- 14-1a Workers' Compensation 531
- 14-1b Americans with Disabilities Act and  
Safety Issues 533
- 14-1c Child Labor Laws 534
- 14-1d Legal Issues Related to Work  
Assignments 535
- 14-1e Global Safety, Health, and Security  
Issues 535

**HR ETHICS:** What Is the Real Cost of Your  
iPhone? 536

#### 14-2 Occupational Safety and Health Act 537

- 14-2a OSHA Enforcement Actions and  
Results 537
- 14-2b Workplace Safety Standards 539
- 14-2c OSHA Recordkeeping  
Requirements 541
- 14-2d OSHA Inspections 543

#### 14-3 Safety Management 544

- 14-3a Organizational Commitment to Safety 545
- 14-3b Safety Policies, Discipline, and  
Recordkeeping 545
- 14-3c Safety Training and Communication 546
- 14-3d Effective Safety Committees 546
- 14-3e Inspection, Investigation, and  
Evaluation 546
- 14-3f Accident Reduction Using Ergonomics 547

- 14-3g Approaches for Effective Safety Management 547
- 14-3h Measuring Safety Efforts 549

**HR COMPETENCIES & APPLICATIONS:** Calculating Incidence Rates 549

**14-4 Employee Health and Wellness 550**

- 14-4a Substance Abuse 550
- 14-4b Emotional/Mental Health 552
- 14-4c Stress 553
- 14-4d Smoking at Work 553
- 14-4e Health Promotion 554

**14-5 Workplace Security Concerns 556**

- 14-5a Security Management 556

**HR COMPETENCIES & APPLICATIONS:** Dangers of BYOD 557

- 14-5b Employee Screening and Selection 558
- 14-5c Security Personnel 558
- 14-5d Workplace Violence 558

**14-6 Disaster Preparation and Recovery Planning 561**

- 14-6a Disaster Planning 561

Summary 563

Critical Thinking Challenges 564

Case: Building a Culture of Safety 564

Supplemental Cases: Wellness Programs Help the Bottom Line; Data Security; What’s Happened to Bob?; Communicating Safety and Health Success 565

End Notes 566

**CHAPTER 15**  
**Employee Rights and Responsibilities 570**

**HR HEADLINE:** Sensing What Workers Are Doing 571

**15-1 Employer and Employee Rights and Responsibilities 572**

- 15-1a Contractual Rights 573

**HR PERSPECTIVE:** Building Cars by Building Workers 574

- 15-1b Implied Contracts 576

**15-2 Rights Affecting the Employment Relationship 576**

- 15-2a Employment at Will 576
- 15-2b Just Cause 578
- 15-2c Due Process 578
- 15-2d Organizational Justice 579
- 15-2e Alternative Dispute Resolution 581

**HR COMPETENCIES & APPLICATIONS:** Setting Up an Alternative Dispute Resolution Process 582

**15-3 Managing Individual Employee and Employer Rights Issues 583**

- 15-3a Privacy Rights and Employee Records 583
- 15-3b Employees’ Free Speech Rights 584
- 15-3c Technology and Employer–Employee Issues 585
- 15-3d Employee Rights and Personal Behavior Issues 587

**HR COMPETENCIES & APPLICATIONS:** Caught in the Crosshairs 589

**15-4 Balancing Employer Security and Employee Rights 589**

- 15-4a Workplace Monitoring 590

**HR ETHICS:** Is Somebody Out There Watching Me? 591

- 15-4b Employer Investigations 591

**15-5 Human Resource Policies, Procedures, and Rules 595**

- 15-5a Employee Handbooks 596
- 15-5b Communicating Human Resource Information 597

**HR COMPETENCIES & APPLICATIONS:** Taking Your Handbook Online 598

**15-6 Employee Discipline 599**

- 15-6a Effective Discipline 599



15-6b Approaches to Discipline	600
15-6c Challenges in Employee Discipline	602
15-6d Termination: The Final Disciplinary Step	603
Summary	604
Critical Thinking Challenges	605
Case: How Special Is That Sandwich?	606
Supplemental Cases: Dealing with Workplace Bullying; George Faces Challenges; Employer Liable for “Appearance Actions”	607
End Notes	607

## CHAPTER 16

### Union–Management Relations 610

---

**HR HEADLINE:** Wildcat Union of NCAA Football Players 611

<b>16-1 Perspectives on Unionization</b>	<b>612</b>
16-1a Why Employees Unionize	613
16-1b Why Employers Resist Unions	614
<b>16-2 Union Membership in the United States</b>	<b>614</b>
16-2a Reasons for U.S. Union Membership Long-Term Decline	617
16-2b Public-Sector Unionism	619
16-2c Unions Fighting for Survival	619
<b>16-3 U.S. Labor Laws</b>	<b>621</b>
16-3a Early Labor Legislation	621
16-3b Wagner Act (National Labor Relations Act)	622
16-3c Taft-Hartley Act (Labor Management Relations Act)	623

**HR COMPETENCIES & APPLICATIONS:** Unfair Labor Practices 624

16-3d Landrum-Griffin Act (Labor Management Reporting and Disclosure Act)	626
---	-----

16-3e Significant NLRB Activities and Rulings	627
<b>16-4 The Union Organizing Process</b>	<b>629</b>
16-4a Organizing Campaign	629
16-4b Authorization Cards	631
16-4c Representation Election	631
16-4d Certification and Decertification	633

**HR COMPETENCIES & APPLICATIONS:** Unionization Do’s and Don’ts 634

16-4e Contract Negotiation (Collective Bargaining)	634
<b>16-5 Collective Bargaining Issues</b>	<b>635</b>
16-5a Management Rights	635
16-5b Union Security	635
16-5c Classification of Bargaining Issues	636
<b>16-6 Collective Bargaining Process</b>	<b>637</b>
16-6a Preparation and Initial Demands	637
16-6b Continuing Negotiations	637
16-6c Settlement and Contract Agreement	638
16-6d Bargaining Impasse	638
16-6e Strikes and Lockouts	639

**HR PERSPECTIVE:** Labor Agreement Takes Flight 640

16-6f Trends in Union–Management Negotiations	641
<b>16-7 Union–Management Cooperation</b>	<b>641</b>
16-7a Employee-Involvement Programs	641
16-7b Unions and Employee Ownership	642

<b>16-8 Resolving Disputes</b>	<b>642</b>
16-8a Grievance Procedures	643
16-8b Steps in a Grievance Procedure	643

<b>16-9 Unions in the Global Arena</b>	<b>644</b>
16-9a International Union Issues	645
16-9b Global Labor Organizations	645
16-9c The United States and Global Differences	646

Summary 646

Critical Thinking Challenges 647  
Case: Driving Away the UAW 648  
Supplemental Cases: Teamsters and the Fraternal Order of Police (FOP); The Wilson County Hospital; Walmart and Union Prevention 649  
End Notes 649

**APPENDIX A**  
**PHR® and SPHR® Bodies of Knowledge and Test Specifications 653**

---

**APPENDIX B**  
**Human Resource Management Resources 661**

---

**APPENDIX C**  
**Major Federal Equal Employment Opportunity Laws and Regulations 665**

---

**APPENDIX D**  
**Uniform Guidelines on Employee Selection 667**

---

**APPENDIX E**  
**Pre-Employment Inquiries 671**

---

**APPENDIX F**  
**Equal Employment Opportunity Enforcement 675**

---

**APPENDIX G**  
**Sample HR-Related Job Descriptions and Job Specifications 679**

---

**Glossary 681**  
**Author Index 691**  
**Subject Index 696**



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

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

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

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

With this edition, we welcome a new author. Patricia Meglich is an accomplished scholar who has a special interest and expertise in the applied areas of HR given her extensive professional background. You will note more consideration of the practical implications of many HR issues in this current edition of the text. She is a strong addition to the author team.

## The Fifteenth Edition

HR takes place in an environment that changes rapidly and impacts the field, resulting in necessary changes to the book being recognized between editions. The fifteenth edition identifies these changes and how they are being dealt with in the field. A few of the most significant characteristics of the fifteenth edition are detailed next. This new edition also contains many other positive content attributes, and you will find them throughout the text.

## “What’s Trending” Chapter Sections

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

## Measuring HR Effectiveness

The trend toward holding HR groups accountable for corporate performance has expanded, giving HR professionals a “seat at the strategic table.” The days when an HR manager could be successful because “she just loves working with people” are long gone. Benchmarking, metrics, and now analytics are a part of the analysis of how well HR is doing its job. The fifteenth edition uses a metrics icon to indicate where material on measuring HR is covered throughout the book. Such measurement is welcome, as it documents how HR contributes to organizational goals in a tangible way.

## Global Human Resource Management

Business is now global in scope, a reality that has dramatically changed the HR profession. Offshoring, global mergers and acquisitions, and cultural differences continue to challenge HR departments. The fifteenth edition covers global issues throughout the chapters to ensure proper coverage of global issues throughout the textbook. Globally related material is indicated with a global icon.

## HR Ethics

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

## Organization of the book

- Each chapter opens with an “HR Headline” designed to introduce chapter material with a real company dilemma or problem. Learning objectives are provided at the beginning of each chapter.
- The latest trends and cutting-edge practices are highlighted in each chapter in a new feature called “What’s Trending.”
- Chapters contain a mix of three boxed features designed to do different things: *HR Perspective* sections provide real examples of how companies deal with the issue covered. *HR Competencies & Applications* provide a “how to do it” view of the material based on key competencies identified in many professional models of HR. Finally, *HR Ethics* features highlight some of the ethical issues encountered in the profession.

- Each chapter ends with a point-by-point “Summary.”
- The “Critical Thinking Challenges” at the end of each chapter provide questions and exercises that allow readers to apply what has been learned in each chapter.
- New in-depth end of chapter cases showcase HR innovations in current organizations and present readers with a chance to critically assess the effectiveness of innovative people practices.

Material is organized around five sections:

- The Environment of Human Resource Management
- Workforce, Jobs, and Staffing
- Training, Development, and Performance
- Compensation
- Employee Relations

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

## Section One: The Environment of Human Resource Management

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

## Section Two: Workforce, Jobs, and Staffing

Section Two looks at people, the jobs they do, and how to bring these two factors together for the purposes of accomplishing work requirements. *Chapter 4* profiles the United States’ workforce participation rates and skills gaps, before turning to the nature of jobs, including job design and redesign, flexibility, telework, and work–life balance. The chapter then presents the most comprehensive coverage of job analysis available in a basic HR text. Treatment of the workforce is also covered, as is presentation of jobs, and flexible work opportunities. *Chapter 5* investigates the individual–organizational relationship and retention. Individual performance factors, including a very brief summary of the leading work motivation ideas and the psychological contract, are identified. Absenteeism and turnover,

including measurement issues, are covered. The discussion then turns to retaining employees and the available management options for improving retention. The focus on individual performance factors is emphasized, as is employee engagement, loyalty, and drivers of retention for high-performing employees. *Chapter 6* considers labor markets and recruiting. Online recruiting and the other common recruiting methods are examined, and this information is followed by a comprehensive look at measuring the success of recruiting. Recruiting and employer ethics and the use of technology and social media in recruiting are expanded. *Chapter 7* looks at placement, selection testing, interviewing, and background investigations, among other topics. An assessment of person–environment fit as part of the attraction–selection–attrition framework is also presented.

### Section Three: Training, Development, and Performance

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

### Section Four: Compensation

Section Four summarizes compensation, incentives, and benefits. *Chapter 11* introduces basic compensation, total rewards, and the development of a pay system. This edition covers strategic compensation decisions, linkage of pay to motivation theories, and current compensation challenges, including the use of two-tier wage systems. *Chapter 12* considers variable pay (incentives), sales compensation, and executive pay. Individual, group, and organizational incentive systems are reviewed, and the controversial topic of executive compensation is presented. Clawbacks, commissions, “say-on-pay,” and exit package changes are also discussed. *Chapter 13* explains the different types of benefits that organizations offer, as well as how to effectively administer and manage these benefits so that employees are satisfied. New or expanded content includes international benefits, the Patient Protection and Affordable Care Act, outsourcing benefit administration, and technology-driven, self-service benefits administration.

### Section Five: Employee Relations

Section Five covers risk and safety, employee rights and responsibilities, and unions. *Chapter 14* looks at threats to the well-being of both organizations and employees.

OSHA, legal requirements for well-being, safety management, and security concerns are specified. Expanded discussions of medical marijuana, counterproductive employee behaviors, and drug testing are provided. *Chapter 15* looks at rights existing in the employment agreement, including privacy rights, workplace monitoring, investigations, and discipline. This edition covers alternative dispute-resolution techniques and material on employee rights and ethical issues. *Chapter 16* evaluates the union–management relationship through labor laws, history, collective bargaining, and grievance management. New since the last edition is material on politics and unionization, changes in union membership, and union tactics.

## Appendices

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

## Supplements

### Instructor’s Resource Website

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

- *Instructor’s Manual*: The Instructor’s Manual represents one of the most exciting and useful aids available. Comprehensive teaching materials are provided for each chapter—including overviews; outlines; instructor’s notes; suggested answers to end-of-chapter Review and Applications Questions; suggested questions for the “HR Headline,” “HR Perspective,” “HR Ethics,” and “HR Competencies & Applications” features; suggested answers to the end-of-chapter case questions; and suggested questions and comments on the supplemental cases for each chapter.
- *Cognero Test Bank*: The test bank contains more than 1,800 questions, including multiple-choice, true/false, and essay questions. Questions are additionally identified by type—definition, application, and analytical—and also include AACSB tags for general (NATIONAL) and topic-specific (LOCAL) designations.
- *PowerPoint Slide Presentation*: The PowerPoint presentation contains approximately 400 slides to aid in class lectures.

### Print on Demand Student Study Guide

Designed from a student’s perspective, this useful guide provides aids that students can use to maximize results in the classroom and on exams, and, ultimately, in the practice of human resources. Chapter objectives and chapter outlines aid students in reviewing for exams. Study questions include matching, true/false, idea completion, multiple-choice, and essay questions. Answer keys are provided for immediate feedback to reinforce learning.

## MindTap

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

## Acknowledgments

The success of each edition of *Human Resource Management* can largely be attributed to our reviewers, who have generously offered both suggestions for improvements and new ideas for the text. We sincerely thank the following reviewers:

Deloris Oliver	<i>LeMoyne-Owen College</i>
David F. Orf	<i>Webster University</i>
Vallari Chandna	<i>University of North Texas</i>
Clare A Francis	<i>University of North Dakota</i>
Kathleen Jones	<i>University of North Dakota</i>
Dr. Sheri Bias	<i>Saint Leo University</i>
Dr. Dave Calland	<i>Liberty University</i>
LCDR Thomas R. Kelley, USN, Ret.	<i>Averett University</i>
Robert W.Sopo, PhD	<i>Carnegie Mellon University</i>
A. Eads	<i>Texas A&amp;M University–Central Texas</i>

The authors also wish to thank the publishing team at Cengage Learning: Jason Fremder, Product Director; Scott Person, Senior Product Manager; Sarah Ginn, Content Developer; Jamie Mack, Associate Content Developer; Jennifer Ziegler, Senior Content Project Manager; and Joseph Malcolm, Project Manager (at Lumina Datamatics).

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

Robert L. Mathis, SPHR  
 John H. Jackson  
 Sean R. Valentine  
 Patricia A. Meglich, SPHR, SHRM-SCP



## ABOUT THE AUTHORS

**Robert L. Mathis** Dr. Robert L. Mathis is professor emeritus of management at the University of Nebraska at Omaha (UNO). Born and raised in Texas, he received his BBA and MBA from Texas Tech University and a PhD in Management and Organization from the University of Colorado. At UNO, he has received the Excellence in Teaching award. Dr. Mathis has co-authored several books and published numerous articles covering a variety of topics. He also has held national offices in the Society for Human Resource Management (SHRM) and served as president of the Human Resource Certification Institute (HRCI). In addition, he is certified as a Senior Professional in Human Resources (SPHR) by HRCI. Dr. Mathis has extensive specialized consulting experience in establishing or revising compensation plans for small and medium-sized firms.

**John H. Jackson** Dr. John H. Jackson is professor emeritus of management at the University of Wyoming. Born in Alaska, he received his BBA and MBA from Texas Tech University. He worked in the telecommunications industry in human resources management for several years before completing his PhD in Management and Organization at the University of Colorado. During his academic career, Dr. Jackson authored six other college texts and more than 50 articles and papers, including those appearing in *Academy of Management Review*, *Journal of Management*, *Human Resource Management*, and *Human Resources Planning*. He has consulted with a variety of organizations on HR and management development matters and has served as an expert witness in a number of HR-related cases. At the University of Wyoming, he served four terms as department head in the Department of Management and Marketing. Dr. Jackson received the university's highest teaching award and has been recognized for his work with two-way interactive television for MBA students. Two Wyoming governors have appointed him to the Wyoming Business Council and the Workforce Development Council. Dr. Jackson serves as president of Silverwood Ranches, Inc.

**Sean R. Valentine** Dr. Sean R. Valentine is the University of North Dakota alumni leadership and ethics professor and professor of management. Originally from Texas, he received a BS in Management/Human Resources from Park University, a BS in Hotel, Restaurant, and Tourism Management from New Mexico State University, an MBA in Business Administration from Texas State University, and a DBA in Management from Louisiana Tech University. He was employed in the hospitality industry for many years and was an officer in the Army National Guard. During his academic career, Dr. Valentine published more than 75 articles in journals such as *Human Resource Management*, *Human Relations*, *Human Resource Development Quarterly*, *Employee Responsibilities and Rights Journal*, *Journal of Business Research*, *Journal of Business Ethics*, *Journal of Personal Selling & Sales Management*, *Contemporary Accounting Research*, and *Behavioral Research in Accounting*. His primary research and teaching interests include human resource management, business ethics, and organizational behavior, and he has received numerous awards and other recognition for his work. He also has consulted with a variety of organizations on different business matters.

**Patricia A. Meglich** Dr. Patricia A. Meglich is associate professor of management at the University of Nebraska at Omaha. Born and raised in Ohio, she earned her BSBA from Bowling Green State University, MBA from Cleveland State University, and PhD from Kent State University. Prior to entering academia, she spent 20 years as the human resources director for an automotive supplier, where she designed and implemented talent management programs and participated in numerous acquisitions and business process reengineering initiatives. Dr. Meglich was active in professional activities with SHRM and was awarded the national SHRM Award for Professional Excellence. She is certified SPHR and SHRM-SCP. She has published numerous articles in scholarly journals such as *Employee Rights and Responsibilities*, *Journal of Leadership and Organizational Studies*, and the *Journal of Applied Business and Economics*. She has developed several learning modules and course materials for SHRM and has received a number of teaching awards at UNO. She serves as a visiting professor at the University of Ljubljana (Slovenia) and the Osnabruck University of Applied Sciences (Germany). She is committed to bridging research to the practice of HR and ensuring that HR professionals have the timely, relevant information that is needed to successfully lead their organizations to success





SECTION

1

**CHAPTER 1**

Human Resource  
Management in  
Organizations

**CHAPTER 2**

Human Resource Strategy  
and Planning

**CHAPTER 3**

Equal Employment  
Opportunity

# The Environment of Human Resource Management

## CHAPTER

## 1

Human Resource  
Management in  
Organizations

## Learning Objectives

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

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

WHAT'S TRENDING IN  
HUMAN RESOURCE MANAGEMENT

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

1. The rapidly changing workplace focuses HR efforts on the development of human capital factors that address organizational needs (e.g., customer service, quality, productivity). Once employees are developed, they need to be placed in the proper jobs with positive work cultures that enable them to effectively use their talents.
2. Globalization and workforce diversity present a number of ways for individual differences to help companies. However, challenges associated with the proper placement of employees and the development of positive HR policies in diverse environments are common.
3. Technology is viewed as a key means to an end when it comes to managing human resources. Increased social media, online interactions, and the use of software to manage traditional HR functions can enhance how individuals are supervised at work.
4. The ability of companies to develop ethics policies, social responsibility, and sustainable practices is viewed as a source of competitive advantage. Developing an ethical culture, offering ethics training, and encouraging employees to give back are all ways that HR leaders can help improve business ethics.

**HR****HEADLINE**

# Entrepreneurial HR Culture at MGM Resorts International

**M**any companies are creating an entrepreneurial culture for employees so that they can be innovative. Part of this process includes making them business partners and giving them good jobs. Another aspect includes allowing them to voice their opinions, make suggestions about how work gets done, and follow up with positive action. Some HR functions are also changed to offer a worksite that encourages individuals to take chances with new approaches and participate in decision making, and resources that help people develop new ideas can be provided. The HR department is in a unique position to develop these opportunities.

MGM Resorts International, a Las Vegas–based gaming organization, relies on this entrepreneurial approach. Since many of the firm’s employees earn their income from tips, the

**HR****HEADLINE**

Entrepreneurial  
HR Culture at  
MGM Resorts  
International 3

**HR****PERSPECTIVE**

Transforming  
HR at Popeyes  
Louisiana  
Kitchen 7

**HR****COMPETENCIES & APPLICATIONS**

Building Healthy  
Organizations 14

**HR****ETHICS**

HR Links  
Employee  
Volunteering  
to Social  
Responsibility 30



Andrew Zarivny/Shutterstock.com

company encourages them to ask questions and develop ideas that help improve service delivery and workforce management. Innovation is also emphasized in the company's Leadership Institute for executives, where people attend a seminar on innovation, participate in brainstorming sessions, and create new processes that enable the company to cut expenses. One idea, which involved developing a consistent brand of water bottles in the different properties, saved MGM about \$400,000 a year.

MGM relied on a number of other strategic HR ideas to create a culture of innovation. Some of these included:

- Using focus groups to obtain feedback from line employees as part of a broader communication strategy at each of the properties
- Developing a directory called Workday, which contained the contact information for all employees and executives, as a way of sharing information
- Encouraging employees to develop ideas that improved responsiveness to customers' needs

Michelle DiTondo, Senior Vice President of HR, believes that the resulting culture established a workplace where employees feel valued and empowered, leading to greater decision making and participation.<sup>1</sup>

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

By earning the reputation as good employers, companies can attract and retain productive, creative, and reliable people who possess competitive advantages that reach strategic goals. Finding knowledgeable and motivated employees, training them to perform critical jobs, paying them appropriately, giving them important work responsibilities, and providing them opportunities to succeed and gain recognition are but a few of the issues that an organization must address. But how does an employer create these policies and earn such a positive reputation? Most often, it is an HR department that develops and coordinates practices that enable people to make important contributions at work.

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



**LO1** Understand human resource management and define human capital.

### Human resource management

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

## 1-1 What Is Human Resource Management?

What is now called human resource management has evolved a great deal since its beginnings around the year 1900. What began as a primarily clerical operation in larger companies concerned with payroll and employee records began to face changes with the social legislation of the 1960s and 1970s. “Personnel departments,” as they came to be called, became concerned with the legal implications of policies and procedures affecting employees. In the 1990s, globalization and competition required human resource departments to become more concerned with costs, planning, and the implications of various HR strategies for both organizations and their employees. More recently, human resource 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. HR may also advise the CEO or chairman of the board as he or she works to fill vacancies among executives and directors.<sup>2</sup> Rising concerns over corporate scandals and unethical behavior are also encouraging HR professionals to get more involved in programs that increase ethics, compliance, and social responsibility.

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

### 1-1a Why Organizations Need HR Management

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

It is unrealistic, however, to expect these individuals to understand all the details of equal employment regulations, how to design a complex compensation system, or when to conduct a job analysis. Therefore, the presence of an HR department and leaders who understand important HR issues can be helpful. For that reason, larger organizations frequently have people who specialize in these activities, and these professionals are organized into an HR function or department. Yet some firms have never employed HR professionals or have eliminated their HR departments. But their experiences suggest that companies without HR support must deal with a variety of personnel challenges.<sup>3</sup> Companies such as Zappos are even trying a “holacracy” approach where departments are dismantled, job titles are dropped,

and management structures are flattened so that self-managed groups are given flexibility to perform tasks that fit their abilities.<sup>4</sup>

Despite these trends, there are many benefits associated with having a dedicated HR department. However, HR professionals must respond appropriately to current business challenges and opportunities if they want to be helpful. A recent survey indicates that worker engagement and performance, leadership development, and employee retention are key issues in companies today, so HR leaders need to effectively address these concerns.<sup>5</sup> Another survey shows that management of health care issues, loss of senior talent, retirement concerns, and hiring skilled and educated individuals are key challenges that should be addressed.<sup>6</sup> Other trends include a globalized workforce, greater age diversity, a focus on sustainability, and an emphasis on social media. HR leaders can address these issues by adopting an interdisciplinary business approach (e.g., working with marketing, operations, and finance talent), connecting with outside constituencies, identifying critical organizational challenges, and facilitating organizational change.<sup>7</sup> HR professional might also adapt HR processes to fit workplace changes, work more closely with IT personnel to manage technology, hire more high performers who have the right skills, and be innovation leaders.<sup>8</sup> Finally, sharing employee knowledge and expertise has become a big issue, so HR staff can modify work that limits collaboration.<sup>9</sup> The following “HR Perspective: Transforming HR at Popeyes Louisiana Kitchen” feature highlights some of these emerging trends, as well as others.

Greater cooperation between operating managers and the HR department is also needed for HR efforts to succeed. In many cases, the HR department designs processes and systems that operating managers must help implement. The exact division of labor between the two varies from firm to firm. Throughout this book there will be examples of how HR responsibilities in various areas are divided in organizations that have HR departments.

### **How Human Resource Management Is Sometimes Seen in Organizations**

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

The legal compliance role can cause other people to have negative views of HR staff. The negative perception that some employees, managers, and executives have is that HR departments are too bureaucratic, detail oriented, and costly, and that they are comprised of naysayers. Some managers also believe that HR departments reduce innovation and negatively impact the ability to complete work because of poorly executed programs. The availability of software that automates different functions and farms out various HR functions also fuels the belief that HR support is not really needed.<sup>10</sup> Critics think HR groups don't make important contributions. Despite such concerns, the HR function can benefit the workplace if it is managed well.

**Human Resources in Smaller Organizations** In the United States and worldwide, small businesses employ more than half of all private-sector employees and generate many new jobs each year. In surveys over several years by the U.S. Small Business Administration (SBA), the issues identified as significant concerns in small organizations were consistent: not having enough qualified workers, the

rapidly increasing costs of employee benefits, payroll taxes, and compliance with government regulations. Notice that all these concerns have an HR focus, especially when compliance with wage/hour, safety, equal employment, and other regulations are considered. This is why some degree of HR support and expertise is always needed in smaller organizations. However, a recent study shows that smaller firms tend to offer much more work flexibility to their employees in the form of working from home, flextime, and personal time,<sup>11</sup> which suggests that small businesses are quite progressive in their approach to HR management.

When new employees are hired in a small business, line managers usually do the recruiting, selecting, and orienting. These HR activities, however, reduce the amount of time managers have available to focus on their regular jobs. As a result, when such activities occur frequently, hiring someone to do them allows managers to spend more time on their primary duties. With about 80 to 100 employees,

HR

PERSPECTIVE

## Transforming HR at Popeyes Louisiana Kitchen

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

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

Zappone also claims that many HR functions are being altered as the workplace changes. Besides being more focused on strategy, HR staff at Popeyes work on cross-functional project teams, and the HR function is structured so that each business area has a dedicated HR professional who operates as an advisor on various personnel issues. This enables staff to be more strategic because they work directly with the business units. Zappone also looks to redesign how different HR activities are performed so that more might be done with fewer people.<sup>12</sup>

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

1. Given the issues at Popeyes, how would you redesign an HR department in any organization to better tackle a company's needs?
2. What needs do you think deserve the most attention given the current trends in HR?

smaller organizations often find that they would benefit from designating someone to specialize in HR practices. Other specialist HR positions are added (e.g., in compensation, training, or recruiting) as the company grows larger. The need for HR increases as an organization grows until it evolves into a distinct function with specialists assigned to specific duties. However, for HR to be most useful, it must remain firmly attached to the operating management of the organization. Without that attachment, HR functions cannot reach their potential.

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

## 1-2 Managing Human Resources in Organizations

Human resources (or more simply, people) who work in organizations may have valuable contributions they can make to a firm's mission based on their human capital. But this will occur only if people are developed and have a reasonable opportunity to contribute. Employees must be placed into the right job, be trained, and be given feedback if they are to perform at high levels. As noted earlier, it is not just the HR department that takes care of these issues—it is often a joint effort between the organization's managers and HR staff members. Managing people ultimately has to do with the decisions these leaders make from among the wide range of possible choices on the formal policies, practices, and methods for managing employees.<sup>13</sup> Examples of such systems and policies are pay system design, performance measurement, vacation policy, and hiring processes.

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

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

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

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

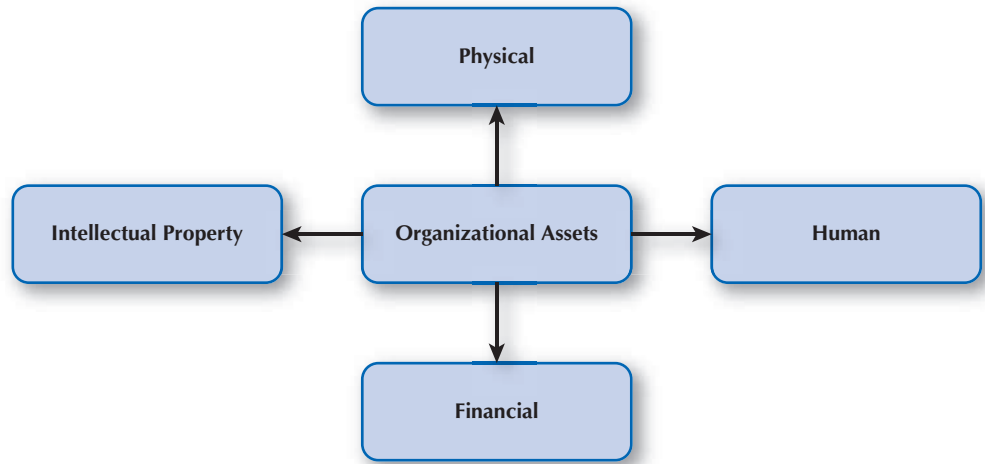
### 1-2b Employees as a Core Competency

How might employees become a core competency for an organization? One of the main issues that must be addressed is developing human capital in employees. Building positive human capital brings together all assets of an organization so that work gets done and the company functions well.

#### Core competency

A unique capability that creates high value for a company



**FIGURE 1-1** Four Types of Organizational Assets

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

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

All of these assets are important to varying degrees in different firms. But the human assets are the “glue” that holds all the other parts together to achieve results. Certainly, the waiters, bartenders, hosts, and cooks at a Red Lobster restaurant or the stockpersons, cashiers, courtesy clerks, and customer service attendants working for a Kroger grocery store enable all the other assets of their organizations to be used to provide products and services to customers. Effective use of the firm’s human capital can often explain a big part of the differences in company success.

Human capital is not just the people in organizations—it also involves what individuals contribute to organizational achievements. Broadly defined, **human capital** is the collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organization’s workforce.

Sometimes human capital is called *intellectual capital* to reflect the thinking, knowledge, creativity, and decision making that people in organizations contribute. For example, firms with high intellectual capital may have highly educated and trained managers who develop new ways of supervising employees, new business processes that improve quality, or new software for specialized uses. All of these contributions illustrate the potential value of human capital to companies.

A fundamental question involves how organizations and HR groups should most effectively manage human capital. A recent poll suggests that focusing on

### Human capital

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