



Managing Human Resources

18th Edition

SCOTT A. SNELL

*Professor of Business Administration,
University of Virginia*

SHAD S. MORRIS

*Associate Professor of Management,
Brigham Young University*

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Scott Snell and Shad Morris**

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Brief Contents

Part 1	Human Resources Management in Perspective	
	1 The Rewards and Challenges of Human Resources Management	1
	2 Strategy and Human Resources Planning	38
Part 2	Meeting Human Resources Requirements	
	3 Equal Employment Opportunity and Human Resources Management	84
	4 Job Analysis and Job Design	121
Part 3	Developing Effectiveness in Human Resources	
	5 Expanding the Talent Pool: Recruitment and Careers	152
	6 Employee Selection	205
	7 Training and Development	241
	8 Performance Management	279
Part 4	Implementing Compensation and Security	
	9 Managing Compensation	318
	10 Pay-for-Performance: Incentive Rewards	356
	11 Employee Benefits	385
	12 Promoting Safety and Health	416
Part 5	Enhancing Employee-Management Relations	
	13 Employees Rights and Discipline	448
	14 The Dynamics of Labor Relations	481
Part 6	Expanding Human Resources Management Horizons	
	15 International Human Resources Management	515
	16 Implementing HR Strategy: High-Performance Work Systems	556
	Integrative Cases	585
	Glossary	611
	Name Index	622
	Organization Index	624
	Subject Index	627



Part 1 Human Resources Management in Perspective

Chapter 1 The Rewards and Challenges of Human Resources Management 1

- 1.1** Why Should You Study Human Resources Management? Will It Pay Off? 2
 - 1.1a** Human Capital and Organizational Culture 3
- 1.2** Strategic and Global Challenges 5
 - 1.2a** Responding Strategically to Changes and Disruptions in the Marketplace 5
 - 1.2b** Competing, Recruiting, and Staffing Globally 7
 - 1.2c** Setting and Achieving Corporate Social Responsibility and Sustainability Goals 9
- 1.3** Technology Challenges 10
- Highlights in HRM 1:** Factors to Consider When Evaluating a Human Resources Information System 14
- 1.4** Productivity and Cost Challenges 15
 - 1.4a** Maximizing Productivity 15
 - 1.4b** Managing the Size of the Workforce 15
 - 1.4c** Managing Pay and Benefits 16
- 1.5** Employee Challenges 18
 - 1.5a** Responding to the Demographic and Diversity Challenges of the Workforce 18
 - 1.5b** Educational Shifts Affecting the Workforce 23
 - 1.5c** Adapting to Cultural and Societal Changes Affecting the Workforce 24
- 1.6** The Role HR Managers Play and Their Partnership with Other Managers 27
 - 1.6a** Responsibilities of Human Resource Managers 28
 - 1.6b** Competencies Human Resource Managers Require 29
- Highlights in HRM 2:** SHRM Code of Ethical and Professional Standards in Human Resource Management 30
- Summary 32
- Key Terms 33
- Discussion Questions 33
- Case Study 1: New HR Strategy Makes Lloyd's a "Best Company" 34
- Case Study 2: Shell's Top Recruiter Takes His Cues from Marketing 34
- Notes and References 36

Chapter 2 Strategy and Human Resources Planning 38

2.1 Strategic Planning and Human Resources Planning 39

2.1a Strategic Planning and HR Planning:
Linking the Processes 40

2.2 Step One: Mission, Vision, and Values 42

2.2a Developing a Mission Statement 42

2.2b HR's Role in Establishing and Reinforcing a Firm's Mission,
Vision, and Values 43

2.3 Step Two: External Analysis 43

2.3a The Business Environment 44

2.3b The Competitive Environment 45

2.3c HR's External Analysis 48

Highlights in HRM 1: HRM Metrics 50

2.4 Step Three: Internal Analysis 50

2.4a Core Capabilities 51

2.4b Sustaining a Competitive Advantage
Through People 52

2.4c Types of Talent and Their Composition
in the Workforce 52

2.4d Corporate Culture 54

2.4e Forecasting 56

Highlights in HRM 2: HR Planning and Strategy Questions to Ask Business Managers 58

2.4f Assessing a Firm's Human Capital Readiness:
Gap Analysis 61

Highlights in HRM 3: Succession-Planning Checklist 62

2.5 Step Four: Formulating a Strategy 64

2.5a Corporate Strategy 64

2.5b Business Strategy 66

2.5c HR Strategy 67

2.6 Step Five: Executing a Firm's Strategy 67

2.6a HR's Role in Strategy Execution 69

2.7 Step Six: Evaluation 70

2.7a Evaluating a Firm's Strategic Alignment 70

Summary 73

Key Terms 74

Discussion Questions 74

HRM Experience: Customizing HR for Different Types
of Human Capital 75

Case Study 1: How a Strategy Change Led to Nike's Formation 75

Case Study 2: Domino's Tries to Get Its Strategic Recipe Right 76

Notes and References 78

Appendix: Calculating Employee Turnover and Absenteeism 80

A.1 Employee Turnover Rates 80

A.1a Computing the Turnover Rate 80

A.1b Determining the Costs of Turnover 81

A.2 Employee Absenteeism Rates 81

A.2a Computing Absenteeism Rates 81

Highlights in HRM 4: Costs Associated with the Turnover of One Computer Programmer 82

A.2b Comparing Absenteeism Data 82

A.2c Costs of Absenteeism 83

A.2d Absenteeism and HR Planning 83

Part 2 Meeting Human Resources Requirements

Chapter 3 Equal Employment Opportunity and Human Resources Management 84

3.1 Historical Perspective of EEO Legislation 86

3.1a Changing National Values 86

3.1b Early Legal Developments 87

3.2 Government Regulation of Equal Employment Opportunity 88

Highlights in HRM 1: Test Your Knowledge of Equal Employment Opportunity Law 89

3.2a Major Federal Laws 89

3.2b Other Federal Laws and Executive Orders 97

3.2c Fair Employment Practice Laws 98

3.3 Other Equal Employment Opportunity Issues 98

3.3a Sexual Harassment 98

Highlights in HRM 2: Questions Used to Audit Sexual Harassment in the Workplace 100

3.3b Sexual Orientation 100

3.3c Immigration Reform and Control 102

3.3d Emerging Employment Discrimination Issues 102

3.4 Uniform Guidelines on Employee Selection Procedures 104

3.5 Enforcing Equal Employment Opportunity Legislation 106

3.5a Record-Keeping and Posting Requirements 106

3.5b Processing Discrimination Charges 106

Highlights in HRM 3: EEOC Poster Supplement for 2016 107

3.5c Preventing Discrimination Charges 109

3.6 Affirmative Action and Diversity Management 109

3.6a Court Decisions 110

Highlights in HRM 4: Basic Steps in Developing an Effective Affirmative Action Program 111

3.6b Beyond Affirmative Action: Leveraging Diversity 112

**Highlights in HRM 5: Embracing Diversity and Leveraging
Employee Differences** 113

Summary 113

Key Terms 114

Discussion Questions 114

Case Study 1: Going to the Dogs 115

HRM Experience: Sexual Harassment: A Frank Discussion 116

Case Study 2: Misplaced Affections: Discharge for
Sexual Harassment 116

Notes and References 118

Appendix: Determining Adverse Impact 120

A.1 The Four-Fifths Rule 120

Chapter 4 Job Analysis and Job Design 121

4.1 What Is a Job Analysis and How Does It Affect
Human Resources Management? 123

4.1a Major Parts of the Job Analysis 125

4.2 Sources of Job Analysis Information 126

4.2a Controlling the Accuracy of the Job Data Collected 126

4.2b Other Sources of Job Analysis Information 126

Highlights in HRM 1: Job Analysis Interview Questions 127

4.2c Parts of a Job Description 130

Highlights in HRM 2: An Example of a Job Description 132

4.2d Writing Clear and Specific Job Descriptions 133

4.3 Job Design 133

4.3a Ergonomics 134

4.3b Enrichment 135

**Highlights in HRM 3: Empowered Employees
Achieve Results** 138

4.4 Employee Teams and Flexible Work Schedules 139

4.4a Employee Teams 139

4.4b Flexible Work Schedules 143

Summary 146

Key Terms 146

**HRM Experience: Establishing Ground Rules
for a Team's Success** 147

Discussion Questions 147

Case Study 1: The Zappos Experiment 148

Case Study 2: Are Firms Moving Away from Telecommuting? 149

Notes and References 150

Part 3 Developing Effectiveness in Human Resources

Chapter 5 Expanding the Talent Pool: Recruitment and Careers 152

5.1 Business Strategies and Their Link to Strategic Recruiting 153

5.1a Elements of a Recruiting Strategy 153

Highlights in HRM 1: Marriott's Recruitment Principles: Living Up to the Employment Brand 156

5.2 External and Internal Recruiting Methods 159

5.2a External Recruiting Methods 159

Highlights in HRM 2: Making Employee Referral Programs Work 164

Highlights in HRM 3: Making Your Internship Program a Success 166

5.2b Internal Recruiting Methods 168

Highlights in HRM 4: Is a Worker an Independent Contractor—or Not? 169

5.3 Improving the Effectiveness of Recruiting 171

5.3a Using Realistic Job Previews 171

5.3b Surveys and Employee Profiles 172

5.3c Recruiting Metrics 172

5.3d Retention: How Do We Keep Our Talent? 175

5.4 Career Management: Developing Talent over Time 176

5.4a The Goal: Matching the Needs of the Organization to the Needs of Employees 176

5.4b Identifying Career Opportunities and Requirements 178

Highlights in HRM Box 5: Career Path of Jeff Bezos, Founder of Amazon.com 180

5.4c Career Development Initiatives 183

Highlights in HRM 6: Myths about Mentors 184

Highlights in HRM 7: Establishing a Relationship with a Mentor 185

5.5 Developing a Diverse Talent Pool 186

5.5a Women 187

5.5b Minorities 189

5.5c People Who Are Disabled 189

Highlights in HRM 8: Tips for Enhancing a Firm's Diversity 190

5.5d Veterans 191

5.5e Older Employees 191

Summary 192

Key Terms 193

Discussion Questions 193

HRM Experience: Career Management 194

Case Study 1: A Lifecycle Approach to Talent 194

Case Study 2: Homegrown Talent: Mary Barra Rises to GM's Top Post 195

Notes and References 196

Appendix: Personal Career Development 199

A.1 Developing Personal Skills and Competencies 199

A.2 Choosing a Career 199

A.3 Self-Evaluation	199
Highlights in HRM 9: “Must Have” Career Competencies	200
A.3a Interest Inventories	200
A.3b Informational Interviews, Job Shadowing, and Internships	201
A.4 Choosing an Employer	202
A.5 Consider the Boundaryless Career	202
A.6 Keeping Your Career in Perspective	202
Highlights in HRM 10: Questions to Ask Yourself Before You Accept a Job	203
A.6a Developing Off-the-Job Interests	203
A.6b Balancing Marital and/or Family Life	203
A.6c Planning for Retirement	204
Key Terms	204
Notes and References	204

Chapter 6: Employee Selection 205

6.1 Overview of the Selection Process	206
6.1a Begin with a Job Analysis	207
6.1b Steps in the Selection Process	207
6.1c Obtaining Reliable and Valid Information	207
6.2 Initial Screening	208
6.2a Initial Screening Methods	208
Highlights in HRM 1: What to Include—and Not to Include—on a Job Application Form	212
6.3 Employment Interviews	212
6.3a Types of Interviews	213
6.3b Methods for Administering Interviews	214
Highlights in HRM 2: Sample Situational Interview Question	215
Highlights in HRM 3: Hiring Managers Reveal Mistakes Candidates Make during Job Interviews	216
6.3c Diversity Management: Could Your Questions Get You into Legal Trouble?	217
6.4 Post-Interview Screening	217
6.4a Reference Checks	217
Highlights in HRM 4: Appropriate and Inappropriate Interview Questions	218
6.4b Background Checks	218
Highlights in HRM 5: Sample Reference-Checking Questions	219
6.5 Preemployment Tests	220
6.5a Types of Tests	221
6.5b Determining the Validity of Tests	227
6.6 Reaching a Selection Decision	229
6.6a Summarizing Information about Applicants	229
6.6b Decision-Making Strategy	231
6.6c Final Decision	233

Summary	234
Key Terms	235
Discussion Questions	235
HRM Experience: Designing Selection Criteria and Methods	236
Case Study 1: Job Candidate Assessment Tests Go Virtual	236
Case Study 2: Pros and Cons of Cleaning Up the “Resu-mess”	237
Notes and References	238

Chapter 7 Training and Development 241

7.1 The Scope of Training	242
7.1a A Strategic Approach to Training	243
7.2 Phase 1: Conducting the Needs Assessment	244
7.2a Organization Analysis	245
7.2b Task Analysis	246
7.2c Person Analysis	247
7.3 Phase 2: Designing the Training Program	247
7.3a Developing Instructional Objectives	247
Highlights in HRM 1: A Competency Assessment for a Managerial Position	248
7.3b Assessing the Readiness and Motivation of Trainees	248
7.3c Incorporating the Principles of Learning	249
7.3d Characteristics of Instructors	252
7.4 Phase 3: Implementing the Training Program—Training Delivery Methods	253
7.5 Additional Training and Development Programs	262
7.5a Orientation and Onboarding	262
Highlights in HRM 2: Checklist for Orienting New Employees	263
7.5b Basic Skills Training	264
7.5c Team Training	264
7.5d Cross-Training	266
7.5e Ethics Training	267
7.5f Diversity and Inclusion Training	267
7.6 Phase 4: Evaluating the Training Program	268
7.6a Criterion 1: Reactions	269
7.6b Criterion 2: Learning	269
7.6c Criterion 3: Behavior	269
7.6d Criterion 4: Results, or Return on Investment (ROI)	270

Highlights in HRM 3: Benchmarking HR Training 271

Summary	271
Key Terms	272
Discussion Questions	272
HRM Experience: Training and Learning Principles	273
Case Study 1: Whirlpool Mixes Up Its Managerial Training: Closed-Looped Method Brings Learning Full Circle	273

Case Study 2: Loews Hotels: Training for Four-Diamond Service and More	274
Notes and References	275

Chapter 8 Performance Management 279

8.1 Performance Management Systems	280
8.1a The Purposes of Performance Management	280
8.1b Why Performance Management Systems Sometimes Fail	282
8.2 Developing an Effective Performance Management System	284
8.2a What Are the Performance Standards?	284
8.2b Do Your Performance Reviews Comply with the Law?	287
8.2c Sources of Performance Review Information	288
8.2d Putting It All Together: 360-Degree Evaluations	290
8.2e Training Appraisers	291
8.3 Performance Review Methods	295
Highlights in HRM 1: Supervisor's Checklist for a Formal Performance Review Meeting	296
8.3a Trait Methods	296
Highlights in HRM 2: A Graphic Rating Scale with Comments	297
Highlights in HRM 3: Example of a Mixed-Standard Scale	298
8.3b Behavioral Methods	298
8.3c Results Methods	299
Highlights in HRM 4: BARS and BOS Examples	300
Highlights in HRM 5: A Balanced Scorecard that Translates to a Personal Scorecard	302
8.3d Which Performance Review Method Should You Use?	302
8.4 Performance Review Meetings and Feedback Sessions	303
8.4a Types of Performance Review Meetings and Feedback Sessions	304
8.4b Conducting the Performance Review Meeting or Feedback Session	304
8.4c Improving Performance	307
Summary	309
Key Terms	310
Discussion Questions	310
HRM Experience: Performance Diagnosis	311
Case Study 1: Adobe Ditches Formal Performance Reviews—And Wants to Help Other Companies Do So Too	311
Case Study 2: "Project Oxygen" Resuscitates Google's Poor-Performing Bosses	313
Notes and References	314

Part 4 Implementing Compensation and Security

Chapter 9 Managing Compensation 318

9.1 What Is Compensation?	319
9.2 Strategic Compensation	320

9.2a	Linking Compensation to Organizational Objectives	321
9.2b	The Pay-for-Performance Standard	323
9.2c	The Bases for Compensation	326
9.3	Compensation Design—The Pay Mix	326
9.3a	Internal Factors	327
	Highlights in HRM 1: Comparison of Compensation Strategies	330
9.3b	External Factors	330
9.4	Job Evaluation Systems	333
9.4a	Job Ranking System	333
9.4b	Job Classification System	333
9.4c	Point System	334
9.4d	Work Valuation	335
9.4e	Job Evaluation for Management Positions	335
9.5	Compensation Implementation—Pay Tools	336
9.5a	Wage and Salary Surveys	336
	Highlights in HRM 2: Bureau of Labor Statistics National Compensation Survey	337
9.5b	The Wage Curve	340
9.5c	Pay Grades	340
9.5d	Rate Ranges	341
9.5e	Competence-Based Pay	343
9.6	Government Regulation of Compensation	344
	Highlights in HRM 3: Minimum Wage Laws in the States	345
	Highlights in HRM 4: Worldwide Minimum Wages	346
	Highlights in HRM 5: The Federal Wage Poster	347
9.7	Compensation Assessment	348
	Summary	350
	Key Terms	350
	HRM Experience: Why This Salary?	351
	Discussion Questions	351
	Case Study 1: Pay Decisions at Performance Sports	352
	Case Study 2: An In-N-Out Pay Strategy: Costa Vida's Decision to Boost Pay	352
	Notes and References	353
Chapter 10	Pay-for-Performance: Incentive Rewards	356
10.1	Strategic Reasons for Incentive Plans	357
10.1a	Incentive Plans as Links to Organizational Objectives	358
10.1b	Requirements for a Successful Incentive Plan	359
10.2	Setting Performance Measures	360
	Highlights in HRM 1: Setting Performance Measures—The Keys	361
10.3	Administering Incentive Plans	361
10.4	Individual Incentive Plans	362
10.4a	Piecework	362

10.4b	Standard Hour Plan	363
10.4c	Bonuses	363
10.4d	Merit Pay	364
10.4e	Incentive Awards and Recognition	365
	Highlights in HRM 2: Lessons Learned: Designing Effective Team Incentives	367
10.4f	Sales Incentives	368
10.5	Group Incentive Plans	369
10.5a	Team Compensation	370
10.5b	Gainsharing Incentive Plans	370
10.6	Enterprise Incentive Plans	372
10.6a	Profit Sharing Plans	372
10.6b	Stock Options	373
10.6c	Employee Stock Ownership Plans	373
	Highlights in HRM 3: How Stock Option Plans Work	374
10.7	Incentives for Professional Employees	375
10.8	Incentives for Executives	376
10.8a	The Executive Pay Package	376
10.8b	Executive Compensation: Ethics and Accountability	378
10.8c	Executive Compensation Reform	379
	Summary	379
	Key Terms	380
	Discussion Questions	380
	HRM Experience: Awarding Salary Increases	381
	Case Study 1: United States Auto Industry Back on Top ... of CEO Pay	381
	Case Study 2: Team-Based Incentives: Not Your Usual Office	382
	Notes and References	383
Chapter 11	Employee Benefits	385
11.1	Elements of a Successful Benefits Program	386
11.1a	Selecting Benefits	387
11.1b	Administering Benefits	388
11.1c	Communicating Employee Benefits	388
11.2	Employee Benefits Required by Law	394
11.2a	Social Security Insurance	394
	Highlights in HRM 1: A Personalized Statement of Benefits Costs	395
	Highlights in HRM 2: Who Is Eligible to Collect Disability Payments under the Social Security Act?	397
11.2b	Unemployment Insurance	397
11.2c	Workers' Compensation Insurance	398
11.2d	COBRA Insurance	398
11.2e	Benefits Provided by the Patient Protection and Affordable Care Act	399

11.2f Benefits Provided under the Family and Medical Leave Act	399
Highlights in HRM 3: Your Rights under the Family and Medical Leave Act	401
11.3 Work-Life Discretionary Benefits	402
11.3a Child and Elder Care	402
11.3b Payment for Time Not Worked	403
11.3c Life Insurance	405
11.3d Long-Term Care Insurance	406
11.3e Other Benefits and Services	406
11.3f Pension Plans	407
11.3g Domestic Partner Benefits	410
Summary	410
Key Terms	411
Discussion Questions	411
HRM Experience: Understanding Employer Benefit Programs	412
Case Study 1: Adobe's Family-Friendly Benefits: An Unexpected Backlash	412
Case Study 2: Evaluate the Work-Life Climate in Your Company	413
Notes and References	414
Chapter 12 Promoting Safety and Health	416
12.1 Safety and Health: It's the Law	417
12.1a OSHA's Coverage	417
12.1b OSHA Standards	417
12.1c Enforcing OSHA Standards	420
12.1d OSHA Consultation Assistance	422
12.1e Responsibilities and Rights under OSHA	422
Highlights in HRM 1: What Are My Responsibilities under the OSH Act?	424
12.2 Promoting a Safe Work Environment	425
12.2a Creating a Culture of Safety	425
12.2b Enforcing Safety Rules	426
12.2c Investigating and Recording Accidents	426
Highlights in HRM 2: Test Your Safety Smarts	427
12.2d Safety Hazards and Issues	427
Highlights in HRM 3: Emergency Readiness Checklist	432
12.3 Creating a Healthy Work Environment	433
12.3a Ergonomics	433
12.3b Health Hazards and Issues	433
Highlights in HRM 4: Job Safety and Health Protection Poster	434
12.3c Building Better Physical and Emotional Health among Employees	438
Summary	442
Key Terms	443

Discussion Questions	443
Case Study 1: Rambo Goes Violent	444
Case Study 2: Too Much Fatigue and Stress? You Decide	444
Notes and References	445

Part 5 Enhancing Employee-Management Relations

Chapter 13 Employees Rights and Discipline 448

13.1 Employee Rights and Privacy	449
13.1a Employee Rights versus Employer Responsibilities	449
13.1b Negligent Hiring	450
13.1c Job Protection Rights	450
Highlights in HRM 1: Examples of Employment-at-Will Statements	456
13.1d Privacy Rights	457
13.1e Digital Surveillance	459
13.2 Disciplinary Policies and Procedures	466
13.2a The Result of Inaction	466
13.2b Setting Organizational Rules	467
13.2c Investigating a Disciplinary Problem	467
13.2d Approaches to Disciplinary Action	469
13.2e Discharging Employees	470
13.2f Alternative Dispute Resolution Procedures	472
13.3 Managerial Ethics in Employee Relations	475
Summary	475
Key Terms	476
Discussion Questions	476
Case Study 1: Discharged for Off-Duty Behavior	476
Case Study 2: You Can't Fire Me! Check Your Policy	477
Notes and References	478

Chapter 14 The Dynamics of Labor Relations 481

14.1 The Labor Relations Process	482
14.1a Why Employees Unionize	484
14.1b Challenges of Unions to Management	486
14.1c Union Avoidance Practices	486
14.1d Organizing Campaigns	487
Highlights in HRM 1: Test Your Labor Relations Know-How	490
Highlights in HRM 2: What Happened to the American Labor Union?	491
14.1e Employer Tactics Opposing Unionization	492
Highlights in HRM 3: United Food and Commercial Workers International Union Authorization Card	493

14.1f	How Employees Become Unionized	493
14.1g	NLRB Representation Election	493
Highlights in HRM 4:	Employer “Don’ts” during Union Organizing Campaigns	494
Highlights in HRM 5:	NLRB Election Poster	496
14.2	The Bargaining Process	497
14.2a	Preparing for Negotiations	497
14.2b	Gathering Bargaining Data	498
14.2c	Developing Bargaining Strategies and Tactics	498
14.2d	Negotiating the Labor Agreement	499
14.2e	Good-Faith Bargaining	499
14.2f	Interest-Based Bargaining	499
14.2g	Management and Union Power in Collective Bargaining	500
14.2h	Resolving Bargaining Deadlocks	502
14.3	The Labor Agreement	502
14.3a	The Issue of Management Rights	502
Highlights in HRM 6:	Items in a Labor Agreement	503
14.3b	Union Security Agreements	504
14.4	Administration of the Labor Agreement	504
14.4a	Negotiated Grievance Procedures	504
14.4b	Grievance Arbitration	504
14.5	Contemporary Challenges to Labor Organizations	506
14.5a	Decrease in Union Membership	506
14.5b	Globalization and Technological Change	507
	Summary	508
	Key Terms	509
	Discussion Questions	509
	HRM Experience: Learn about Unions	510
	Case Study 1: The New Union Battles: Public Unions vs. Rich World Governments	510
	Case Study 2: The Arbitration Case of Jesse Stansky	511
	Notes and References	513

Part 6 Expanding Human Resources Management Horizons

Chapter 15 International Human Resources Management 515

15.1	Analyzing Your International Environment	516
15.1a	Political Factors	517
15.1b	Economic Factors	517
15.1c	Sociocultural Factors	518
15.1d	Technological Factors	519
15.1e	Analyzing Your International Operations	520

15.2	Managing Your International Operations	522
15.2a	Recruiting Internationally	524
15.2b	Selecting Employees Internationally	527
	Highlights in HRM 1: Skills of Expatriate Managers	529
15.2c	Training and Development	530
15.2d	Content of Training Programs	531
	Highlights in HRM 2: Nonverbal Communications in Different Cultures	533
	Highlights in HRM 3: Repatriation Checklist	537
15.3	Compensation	538
15.3a	Compensation of Host-Country Employees	538
15.3b	Compensation of Host-Country Managers	540
15.3c	Compensation of Expatriate Managers	541
15.3d	Performance Appraisal	542
15.4	Analyzing the International Labor Environment	545
15.4a	Collective Bargaining in Other Countries	546
15.4b	International Labor Organizations	547
15.4c	Labor Participation in Management	548
	Summary	548
	Key Terms	549
	Discussion Questions	549
	HRM Experience: An American (Expatriate) in Paris	550
	Case Study 1: How about a 900 Percent Raise?	550
	Case Study 2: A “Turnaround” Repatriate Plan: U.S. Company Moves Indian Workers Back Home	551
	Notes and References	552

Chapter 16 Implementing HR Strategy: High-Performance Work Systems 556

16.1	Fundamental Principles	558
16.1a	Egalitarianism and Engagement	559
16.1b	Shared Information and Trust	560
16.1c	Knowledge Development	561
16.1d	Performance-Reward Linkage	561
16.2	Designing High-Performance Work Systems	562
16.2a	Work-Flow Design and Teamwork	562
16.2b	Complementary Human Resources Policies and Practices	563
16.2c	Supportive Information Technologies	566
16.3	Strategic Alignment	567
16.3a	Ensuring Horizontal Fit	567
16.3b	Establishing Vertical Fit	568
16.3c	Assessing Strategic Alignment: The HR Scorecard	568
16.4	Implementing the System	568

Highlights in HRM 1A: Diagnosing Horizontal Fit	569
16.4a Building a Business Case for Change and Engaging Stakeholders	569
Highlights in HRM 1B: Testing the Alignment of the HR System with HR Deliverables	570
Highlights in HRM 1C: Testing the Alignment of HR Deliverables	570
16.4b Establishing a Communications Plan	572
16.4c Evaluating and Sustaining the Success of the System	573
16.5 Outcomes of High-Performance Work Systems	575
16.5a Employee Outcomes and Quality of Work Life	575
16.5b Organizational Outcomes and Competitive Advantage	575
Summary	577
Key Terms	577
Discussion Questions	577
HRM Experience: Assessing the Strategic Fit of High-Performance Work Systems	578
Case Study 1: How Implementing an HPWS Fortified the Snack-Food Maker Snyder's-Lance	579
Case Study 2: Whole Foods Market Faces Whole New Challenge	580
Notes and References	581
Integrative Cases	585
Glossary	611
Name Index	622
Organization Index	624
Subject Index	627



Preface

The 18th edition of *Managing Human Resources* will place your students at the forefront of understanding how organizations can gain a sustainable competitive advantage through people. Today's HR managers play an active role in the strategic planning and decision making within their organizations. Those managers who are good at it have a major impact on the success of their firms and elevate human resources in terms of its importance in the C-suites of their organizations. But human resources management is not limited to the HR staff. The best organizations recognize that managing people is the job of every manager, working in partnership with HR.

Each edition of the book highlights the changes human resources management is undergoing but reveals that the goal of utilizing an organization's talent in the best way possible never changes. Consequently, the purpose of this book is always twofold: (1) to equip students with the tools and practices of HR management and give them an appreciation for the changes they can make by understanding how best to manage people, and (2) to present the most current challenges and opportunities graduating students will face when it comes to today's human resources management environment. These challenges exist both for those who will become HR managers and those who will go on to become other types of managers.

Toward that end, the first chapter of the book lays out in broad terms the key challenges in HRM today. It includes a discussion of the HR strategies pursued by firms and the importance of retaining and motivating employees in the process. Other aspects broached include the strategies companies are using to continue to try to control health care costs; how social media is affecting hiring, human resources management, and employees' privacy rights; and how good human resources practices can help a firm achieve its corporate social responsibility and sustainability goals and make it an employer of choice. The chapter also discusses the important partnership with line managers and the competencies required of HR management. The textbook continues with the introduction, explanation, and discussion of the individual practices and policies that make up HRM. We recognize the manager's changing role and emphasize current issues and real-world problems and the policies and practices of HRM used to meet them.

Strategy and talent have become such central concerns of HR today that we continue to emphasize the topic in this edition of the book in Chapter 2. Chapter 5 focuses on expanding and managing the talent pool in organizations. Employee diversity and inclusion, and how firms can leverage all types of differences among their workers to their strategic advantage, are examined.

Organizations in today's competitive world are discovering that it is *how* the individual HR topics are combined that makes all the difference. Managers typically

don't focus on HR issues such as staffing, training, and compensation in isolation from one another. Each of these HR practices should be combined into an overall system—one that furthers a firm's strategy by enhancing employee involvement and productivity. *Managing Human Resources* ends with a final chapter that focuses on how high-performance work systems (HPWSs) are used to implement these strategies. We outline the strategic processes used to implement HPWSs, including workflow design, HR practices, management processes, and supporting technologies as well as the outcomes of an HPWS that benefit both the employee and the organization as a whole.

Streamlined Coverage

Today's students are extremely busy. They want to know what they need to learn and be able to learn it as quickly as possible. Instructors also want to be able to cover all of the material they want to teach during a semester. To help both groups, we made a special effort to streamline our coverage in this edition. We did so without sacrificing key material but by shortening the copy to make it readable and deleting extraneous information reviewers have indicated may be "TMI" (too much information) for their students. Students and instructors will find that the copy is briefer, clearer, and more engaging.

New Cutting-Edge Content

As with other editions, a great deal of new information is provided in this revision to accurately reflect HRM in today's business world and help the reader understand today's HRM issues more effectively. Examples include the concerns of Millennial and Generation Z employees, and how Big Data, HR analytics, mobile technology, and social media are profoundly affecting the field, and the effects artificial intelligence and automation are having. Ever-changing international HR concerns are covered, including the work-visa challenges facing U.S. firms, immigration, human rights issues, global rights issues such as data protection, and intellectual property rights. The International Labor Organization's "Agenda 2030 for Sustainable Development," which places decent work for all at the heart of the ILO's current initiatives, resulted in numerous updates. Of course, the 18th edition also includes a complete update of all laws, administrative rulings and guidelines, and court decisions governing HRM. We also show a recent shift in the interest of Millennials who are seeing collective action through unions as much more aligned with their interests than previous generations.

Lastly, in addition to the changes we have already mentioned, to help instructors incorporate the new material discussed into their courses, the following is a list of chapter-by-chapter additions:

Chapter 1

- Updated discussion on international trade, Brexit, and the H-1B visa debate.
- The loss of middle-class jobs in the United States and new technology affecting HR, such as robotics and automation.
- New coverage on the employee experience.
- New coverage on Generation Z.
- Updated information on workforce demographic trends and the progress of women and minorities in the workplace.

Chapter 2

- Updated information on U.S. labor supply statistics.
- New section on a firm's primary and secondary stakeholders.
- New section and figure on the 4As model (Alignment, Agility, Architecture, and Ability).
- New case study on how a strategy change led to the formation of Nike.

Chapter 3

- New legal interpretations on what reasonable accommodation means for employees with disabilities.
- Updated information on how Title VII is being interpreted to prohibit discrimination based on gender identity or sexual orientation.
- A list of specific examples of unlawful discrimination against LGBTQ communities.
- New research showing how states that enact the federal Employment Non-Discrimination Act (ENDA) achieve higher levels of innovation than states that do not enact the act.
- We expand upon the term “disparate treatment.”
- New material on how students in universities react to affirmative action.

Chapter 4

- New coverage of workflow analysis prior to job analysis.
- New discussion on how a firm's strategy affects its workflows and job design.
- New discussion of how companies are using fitness trackers, standing desks, and other devices to improve the ergonomics in their workplaces.
- New discussion on workplace democracy, and the work-life balance Millennials and the members of Generation Z are demanding.
- New case study on how Zappos eliminated all managerial positions and moved to a self-management model.

Chapter 5

- New section on retaining talent.
- New coverage on the use of games to attract applicants.
- New information on writing job postings to attract more candidates and the use of technology to detect biased job postings.
- New information on the virtual-assistant type technology some companies are beginning to use to automate the process of posting jobs, searching for candidates online, scheduling interviews with them, and notifying them of where they stand in the job hiring process.
- New case study on Scripps Health's lifecycle approach to training and retaining talent.

Chapter 6

- Updated information on the practice of using the Internet to prescreen candidates and the legal hazards of doing so.
- Updated information on the “ban the box” movement.

- New coverage on the use of technology and other best practices to eliminate bias when screening résumés and ranking candidates based on their interviews.
- New information on the use of Big Data and gamification in preemployment testing.

Chapter 7

- Updated coverage on how MOOCs are affecting corporate training.
- New coverage on experiential learning and the gamification of employee training.
- Updated information on social media's role in training.

Chapter 8

- New coverage reflecting the growing role of coaching rather than formal performance appraisals in organizations.
- New coverage of SMART goals.
- New coverage on how some firms are using technology to detect biased performance appraisals and get a better picture of how well employees are performing.
- New case study on why Adobe ended formal appraisals and what the company replaced them with.

Chapter 9

- How some companies like Zappos are moving from a traditional management structure to a system where work is organized around roles rather than titles and teams report to teams rather than supervisors.
- The movement by tech companies to using objectives and key results (OKR) systems to tie compensation to objectives.
- The push for health care professionals to be evaluated based on quality of care instead of a production model where it is more about quantity of care.
- New research that shows how competition and recessions can reduce employee wages.
- New coverage of locations, such as Glassdoor, to collect salary and other related data.
- A list of the highest paying jobs for 2017 in the United States.
- An updated discussion of minimum age required for employment.
- Salary rates for the fastest growing jobs in the United States.

Chapter 10

- Discussion of the new presidential administration's support for policies that reward government employees for merit, not just tenure.
- New discussion of how companies are gamifying incentives and rewards to improve performance.
- Updated research on how to design rewards to provide (1) autonomy, (2) opportunity, and (3) purpose.
- New research on public sentiment toward CEO pay.

Chapter 11

- Updated information on the current status of the Patient Protection and Affordable Care Act (PPACA).

- New discussion of workers' lack of awareness of the employer costs of their benefits.
- Updated information on employee leave programs as they relate to the Family Medical Leave Act.
- Expanded discussion on how companies can better meet the needs of Millennials by providing work-life benefits.

Chapter 12

- Updated research on the financial benefits of health and safety programs.
- Updated information on U.S. employee injury and safety statistics today.
- Updated information on how to enforce safety rules.
- Updated information on workplace violence and antibullying legislation.

Chapter 13

- Updated information on employee privacy rights at their place of employment.
- New figures on employer versus employee rights.
- New information on how employees are protected for blowing the whistle.
- New discussions and statistics of social media and how it is used and abused by employees.

Chapter 14

- A clearer introduction to the chapter that includes current sentiments in the United States toward unions.
- Discussion of how the last presidential election impacted unions and their traditional allegiance to the Democratic Party and U.S. sentiment toward international trade.
- New research showing how Millennials relate to collective action—where they agree and disagree with unions.
- Some evidence that more professionals are seeing unionization as a viable way to stabilize employment. A look at recent union movements that aren't just limited to companies but more related to social movements (e.g., Fight for 15 and Occupy Wall Street).
- Reorganized material to help with chapter flow.

Chapter 15

- Updated discussions on sentiments about globalization and free trade.
- Discussion surrounding the new gig economy where many workers are finding work globally online as independent contractors.
- Updated discussions of how companies like Microsoft are creating globally dispersed teams that must work virtually.
- Updated immigration and foreign worker discussions as they relate to H-1B visas.

Chapter 16

- New discussion on why higher compensation is generally required when implementing an HPWS.
- Updated case study on Whole Foods' HPWS and the challenges the company faces sustaining it and regaining a competitive advantage.

Features of the Book

Designed to facilitate understanding and retention of the material presented, each chapter contains the following pedagogical features:

- **Learning Outcomes** listed at the beginning of each chapter provide the basis for the Integrated Learning System. Each outcome is also listed in the margin of the chapter in which it appears, along with a thought-provoking question designed to get students thinking about how the related content applies to them personally. The outcomes are revisited in the chapter summary and discussion questions and in all of the book's ancillaries.
- **Small Business Application Boxes.** The boxes are designed to help entrepreneurs, small business owners, and managers think about how to organize, implement, and leverage talent and to draw attention to resources designed especially for them to do so. We feel the coverage is very important because many students today are very interested in entrepreneurship and will go on to found their own businesses. Moreover, small businesses provide most of America's jobs to workers.
- **Highlights in HRM.** This popular boxed feature provides real-world examples of how organizations perform HR functions. The highlights are introduced in the text discussion and include topics such as small businesses and international issues.
- **Key Terms** appear in boldface and are defined in margin notes next to the text discussion. The Key Terms are also listed at the end of the chapter and appear in the glossary at the end of the book.
- **Figures.** An abundance of graphic materials and flowcharts provides a visual, dynamic presentation of concepts and HR activities. All figures are systematically referenced in the text discussion.
- **Summary.** A paragraph or two for each Learning Outcome provides a brief and focused review of the chapter.
- **Discussion Questions** following the chapter summary offer an opportunity to focus on each of the Learning Outcomes in the chapter and stimulate critical thinking. Many of these questions allow for group analysis and class discussion.
- **HRM Experience.** An experiential activity designed to simulate HR activities is included in each chapter.
- **End-of-Chapter Cases.** Two case studies per chapter present current HRM issues in real-life settings that allow for student consideration and critical analysis.
- **Extended Cases.** Eleven extended cases are provided at the end of the main text. These cases use material covered in more than one chapter and provide capstone opportunities.

MindTap

Managing Human Resources, 18th edition, includes a brand new MindTap learning experience, powered by a rich array of online resources designed to deliver an all-in-one solution for learning and retaining the course topics. The following items are included in the MindTap learning path:

- An **engagement activity** designed to stimulate student interest and launch your classroom discussion.

- A **media-rich e-version** of the text enhanced with interactive versions of several figures in the text as additional video content for extra concept coverage and engagement.
- A comprehensive **auto-graded homework assignment** designed to guide students from basic comprehension to real-world application of concepts. Robust feedback is provided within each question to help reinforce understanding as students navigate through the new concepts of each chapter.
- Assignable version of Integrated Case assignments found at the end of the book. The assignments utilize the power of digital to engage students and grade open-ended question submissions easier with MindTap.
- **Brand new video “You Make the Decision”** exercises designed to enable students to think like HR managers and teach students to apply concepts taught within the classroom to real-world scenarios.
- Quiz assignment that delivers a myriad of question types to measure overall comprehension of chapter learning objectives.
- New Study App that helps students quiz themselves and prepare for upcoming exams. Practice questions are based on learning objectives within the course, and correlated to the test bank to provide students with a robust bank to utilize in their test preparation. Student have the flexibility to decide what chapters to study, and how many questions they will answer making on-the-go studying easier, quicker, and exactly what they need.

Instructor Materials

The following instructor support materials are available to adopters online at www.cengagebrain.com.

- ***Instructor’s Resource Guide.*** The *Instructor’s Resource Guide* contains a chapter synopsis and learning objectives; a very detailed lecture outline; answers to the end-of-chapter discussion questions, notes for decision activities, and end-of-chapter case studies; solutions to the extended cases in the textbook; and “Flip Tips” activities to provide ideas for the flipped classroom.
- ***Test Bank.*** Cengage Learning Testing powered by Cognero is a flexible, online system that allows you to:
 - Author, edit, and manage test bank content from multiple Cengage Learning solutions.
 - Create multiple test versions in an instant.
 - Deliver tests from your LMS, your classroom, or wherever you want.

Each test bank chapter provides more than 100 questions, all tagged by learning objective, AACSB standards, and Bloom’s taxonomy. There are true/false, multiple-choice, and essay items for each chapter.

- ***PowerPoint™ Presentation Slides.*** These presentation slides will add color and interest to lectures. Lecture slides also include engagement items such as video links and discussion questions to enhance the classroom learning experience.

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Avan Jassawalla, SUNY at Geneseo
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Kelli Schutte, Calvin College
Mike Sciarini, Michigan State University
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Norman Solomon, Fairfield University
Emeric Solymossy, Western Illinois University
Carol Spector, University of North Florida
Howard Stanger, Canisius College
Scott L. Stevens, Detroit College of Business
Michael Sturman, Cornell University
Nanette Swarthout, Fontbonne College
Michael T. Korn, Indiana University of Pennsylvania
Karen Ann Tarnoff, East Tennessee State University
Thomas Taveggia, University of Arizona
Donna Testa, Herkimer County Community College
Alan Tillquist, West Virginia State College
Sue Toombs, Weatherford College
Richard Trotter, University of Baltimore
William Turnley, Kansas State University
Catherine L. Tyler, Oakland University
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Scott A. Snell
University of Virginia

Shad S. Morris
Brigham Young University



Scott A. Snell

Scott Snell is the E. Thayer Bigelow Research Chair of business administration and former senior associate dean for executive education at the University of Virginia's Darden Graduate School of Business. Scott teaches courses in leadership and strategic management and works with management teams on aligning their human resource investments to better execute their strategies. Scott is the author of four books and was recently listed among the top one hundred most-cited authors in scholarly journals of management. He currently serves on the board of HR People + Strategy (SHRM), and previously has served on the boards of the Strategic Management Society's Human Capital Group, the Society for Human Resource Management Foundation, the Academy of Management's Human Resource Division, the *Academy of Management Journal*, and the *Academy of Management Review*.

Prior to joining the Darden faculty in 2007, Scott was professor and director of executive education at Cornell University's Center for Advanced Human Resource Studies and a professor of management in the Smeal College of Business at Pennsylvania State University. He received a BA from Miami University, as well as an MBA and PhD in business from Michigan State University. Originally from Ohio, Scott now lives in Charlottesville, Virginia.

Shad S. Morris

Shad Morris is the Georgia White Fellow and associate professor of management at the Marriott School of Business at Brigham Young University. He teaches courses in the areas of human resources management and international business. Prior to joining the Marriott School in 2013, Shad was an assistant professor of management and human resources at The Ohio State University and has held appointments at the Sloan School of Management at MIT, Copenhagen Business School in Denmark, China Europe International Business School (CEIBS) in China, and SKK Graduate School of Business in South Korea.

Shad's research focuses on strategic human resource management in a global environment. His research has been published in a number of journals, such as the *Harvard Business Review*, *MIT Sloan Management Review*, *Academy of Management Review*, *Journal of International Business Studies*, *Strategic Management Journal*, *Journal of Management*, and *Human Resource Management*. He has worked for the World Bank, Management Systems International, and Alcoa. He has consulted with numerous companies on their HR and knowledge practices. He is the recipient of the

International HRM Scholarly Research Award from the Academy of Management and is currently a faculty fellow at Cambridge University's Centre for International Human Resource Management. In addition, Shad currently serves on the board of the *International Journal of Human Resources Management* and is a founding editor of the *Journal of Microfinance*. He received a BS in psychology and a masters in organizational behavior from Brigham Young University, as well as a PhD in human resources management from Cornell University.



CHAPTER 1

The Rewards and Challenges of Human Resources Management

Learning Outcomes

After studying this chapter, you should be able to

- LO 1** Explain how human resource managers and other managers can have rewarding careers by helping their firms gain a sustainable competitive advantage through the strategic utilization of people.
- LO 2** Explain how good human resource practices can help a firm's globalization, corporate social responsibility, and sustainability efforts.
- LO 3** Describe how technology can improve how people perform and how they are managed.
- LO 4** Explain the dual goals HR managers have in terms of increasing productivity and controlling costs.
- LO 5** Discuss how firms can leverage employee differences to their strategic advantage and how educational and cultural changes in the workforce are affecting how human resource managers engage employees.
- LO 6** Provide examples of the roles and competencies of today's HR managers and their relationship with other managers.

human resources management (HRM)

The process of managing human talent to achieve an organization's objectives.

We use a lot of words to describe how important people are to organizations. The terms *human resources*, *human capital*, *intellectual assets*, and *talent management* imply that it's people who drive the performance of their organizations (along with other resources such as money, materials, and information). Successful organizations are particularly adept at bringing together different kinds of people to achieve a common purpose. This is the essence of **human resources management (HRM)**. Human resources management involves a wide variety of activities, including analyzing a company's competitive environment and designing jobs and teams so a firm's strategy can be successfully implemented to beat the competition. This, in turn, requires identifying, recruiting, and selecting the right people for those jobs and teams; training, motivating, and appraising these people; developing competitive compensation policies to retain them; grooming them to lead the organization in the future—and the list goes on.

LO 1

Think of a firm you do business with that is facing dramatic changes in order to survive. (Retailers such as Target and Macy's, which are facing stiff competition from online retailers are an example.) How do you think the firm's personnel can help it adapt? What role will the company's HR staff play in helping with that goal?

1.1 Why Should You Study Human Resources Management? Will It Pay Off?

Which of these activities would you like to engage in your career:

- Establishing the strategic direction your firm should take
- Attracting top-notch people to come to work for you and your firm
- Determining the right people to hire so your team and company are a success
- Helping and coaching people so they become top-notch performers

If you answered yes to these questions, a job managing people might be a rewarding career for you and an excellent reason why you should study human resources management. Having a good understanding of human resources management is important for managers and entrepreneurs of all types—not just human resources (HR) personnel. All managers are responsible for at least some of the activities that fall into the category of management. Managers play a key role in selecting employees, training and motivating them, appraising them, promoting them, and so forth. It's a job that can be incredibly rewarding—like a gardener helping his or her crops to grow. But what if you do a poor job of these activities? Believe it or not, many businesspeople with great business strategies, business plans, and products and services fail because they do not fully grasp the importance of human resources management. Laments one entrepreneur:

My first year after investing in a small business that was failing, I tripled the amount of business the company did and made a lot of money. But I didn't pay my personnel enough or motivate them. They eventually abandoned me, and a larger competitor muscled me out of the marketplace. I now understand the important role personnel play in a business. They can make or break it.

In addition, great business plans and products and services can easily be copied by your competitors. Great personnel cannot. Their knowledge and abilities are among the



Reapixel.com/Shutterstock

If an employer requested your Facebook login credentials, what would you do?

most distinctive and renewable resources upon which a company can draw. As Thomas J. Watson, founder of IBM, said, “You can get capital and erect buildings, but it takes people to build a business.”¹

Lastly, even if you never become a manager, understanding human resources management can help you understand your responsibilities and rights as an employee. For example, what if your employer asks for your passwords to Facebook or other social media sites? Do you need to provide the manager with that information? This textbook can help you answer questions such as these.

1.1a Human Capital and Organizational Culture

The idea that organizations “compete through people” highlights the fact that achieving success increasingly depends on an organization’s ability to manage its *human capital*. The term **human capital** describes the employees’ knowledge, skills, abilities, and other attributes (KSAOs) that have economic value to the firm. Although the value of these assets might not show up directly on a company’s balance sheet, it nevertheless has tremendous impact on an organization’s performance. The following quotations from notable CEOs and former CEOs illustrate this point²:

- “The key for us, number one, has always been hiring very smart people.” (Bill Gates, Microsoft)
- “Human resources isn’t a thing we do. It’s the thing that runs our business.” (Steve Wynn, Wynn Las Vegas)
- “You gotta build a team that is so talented, they almost make you uncomfortable.” (Brian Chesky, AirBnB)

human capital

The knowledge, skills, and capabilities of individuals that have economic value to an organization.

Companies that *do* “win” because of the talent they find, hire, and manage include:

- Publix, which empowers its employees to make decisions—decisions that are good for an individual store, its customers, area growers, community, and the firm as a whole.
- Nordstrom’s, which empowers its employees to go through near-heroics to satisfy customers.
- The Martin Agency, a Virginia-based advertising agency whose talented and creative personnel generate award-winning advertising campaigns like those for insurer Geico and cable-TV network Nickelodeon.

However, unlike physical capital and resources, human capital is intangible and cannot be managed the way organizations manage jobs, products, and technologies. One reason why this is so is because employees, *not* the organization, own their own human capital. If valued employees leave a company, they take their human capital with them, and any investment the company has made in training and developing these people is lost.

To build human capital in organizations, managers must continue to develop superior knowledge, skills, and experience within their workforces and retain and promote top performers.³ Beyond the need to invest in employee development, organizations have to find ways to better utilize the knowledge of their workers. Too often employees have knowledge that goes unused. Human resource managers and programs are often the conduit through which knowledge is developed and transferred among employees. As Dave Ulrich, a noted expert in human resources, notes: “Learning capability is *g*—a business’s ability to *generate* new ideas multiplied by its adeptness at *generalizing* them throughout the company.”⁴

Why does knowledge go unshared and unused in organizations? Oftentimes it’s because of a firm’s organizational culture. **Organizational culture** refers to the shared values, beliefs, and assumptions people in an organization have. Organizational culture affects how people in an organization work and treat each other and customers. A negative organizational culture stifles employees and leads to lower productivity and morale. In contrast, a positive organizational culture helps employees not only acquire knowledge and skills, but also helps foster curiosity among employees, allows them to grow and thrive, and creates mission-driven teams that actually achieve success.

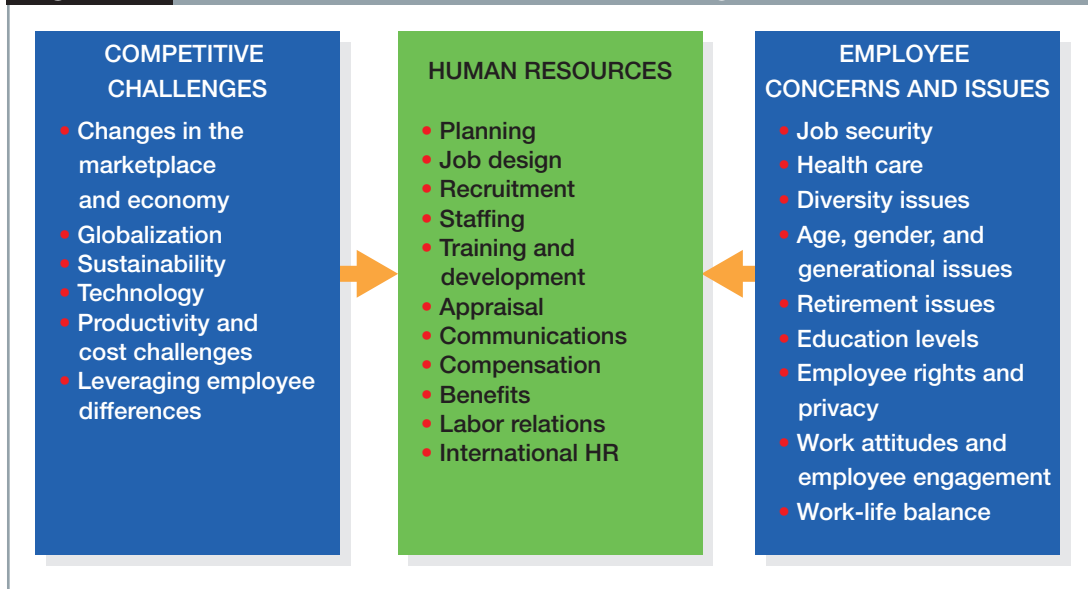
You probably understand organizational culture more than you realize. Are there businesses you like to shop with because they perform better and you enjoy the atmosphere and people? Are there other businesses that are similar but that you don’t like to shop with? The difference is likely due to organizational culture. Marriott’s culture is critical to its success. The hotel chain takes care of its employees. They, in turn, take care of the customers, who come back time and again.

Although “competing through people” and “organizational culture” are major themes of human resources management, on a day-to-day basis, managers of all types have to carry out the specific activities for a company to effectively do so. Figure 1.1 provides an overall framework of these activities.

What do you think are the biggest human resource–related challenges you would have to face as a manager or team leader? Professional organizations such as the Society for Human Resource Management (SHRM) conduct ongoing studies of the most pressing competitive issues facing firms. The top trends, or challenges, firms name today include those outlined in the sections that follow.

organizational culture

The shared values, beliefs, and assumptions people in an organization have.

Figure 1.1 Overall Framework for Human Resources Management

1.2 Strategic and Global Challenges

Organizations can rarely stand still for long. Being able to adapt has become the key to capturing opportunities and overcoming obstacles both domestically and abroad. In fact, it is often the key to the very survival of organizations. Many of the biggest 500 companies in the world 50 years ago (GE and GM included) are still in business. However, many others, such as Esmark Steel, are not. In fact, you may never have even heard of Esmark Steel. As a corollary, think about the species that populate our planet today. It's not necessarily the biggest and the strongest species, such as the dinosaurs, that have survived but those best able to adapt. This is true for not only species but individual employees and companies as well.

LO 2

Does a company's HRM function need to be an integral part of its sustainability and corporate social responsibility efforts? Why or why not?

1.2a Responding Strategically to Changes and Disruptions in the Marketplace

Products and markets are evolving at a breakneck pace, disrupting what businesses produce, how they produce, and for whom. Changes in the stock market, world economic conditions, labor markets, and technology are making “business as usual” a thing of the past. So how do HR managers help their firms cope with ever-changing business conditions? One way is by helping redesign their firms to achieve agility.

Agility is a firm's ability make quick changes to gain a competitive advantage. Achieving agility often involves eliminating managerial layers that can slow down decision making and make an organization less nimble. Instead, project teams that can gear up fast, make their own decisions, and disband quickly are utilized to develop and get new products out the door while they're “hot.” Many tech companies operate this way, and other firms are finding that the model can work for them.

agility

A firm's ability make quick changes to gain a competitive advantage.

The online shoe company Zappos has gone so far as to eliminate all of its managers. Employees aren't told how to work. Instead, they "self-manage" and belong to voluntary employee teams. Employees are motivated to develop new skills and capabilities so they can join multiple teams and work on new projects at a moment's notice. Successful companies, says Harvard Business School professor Rosabeth Moss Kanter, develop a culture that just keeps moving all the time.⁵ It's been said that "No change means no chance." The change applies to HR managers, too.

Human Resources Managers and Business Strategies

In decades past, HR departments were often focused on performing administrative tasks, dealing with unions, and complying with labor laws. But HR management is vastly different today. Astute executives know that human resource professionals can help them improve, to comply with the law and help the bottom line by streamlining employment costs. HR professionals can improve the top line by redesigning work to foster innovation, by forecasting labor trends, by recruiting and motivating employees, and by measuring their effectiveness. HR managers also help their firms with business strategies, as well as mergers, acquisitions, and ways to enter new and global markets. "If you look at the evolution going back to when we called HR 'personnel,' it's come a long way as a function," says Art Mazor, with Deloitte Consulting. New HR tools and technologies are allowing the HR function to look outside the tactical, administrative reporting and data gathering to bring insights and to drive business strategy and results.⁶ Mazor says.⁶

Sometimes changing a firm's strategy requires adjusting the labor force via downsizing, outsourcing, and offshoring. **Downsizing** is the planned elimination of jobs, and **outsourcing** simply means hiring someone outside the company to perform business processes that were previously done within the firm. **Offshoring**, also referred to as "global sourcing," involves shifting work to locations abroad.

A common denominator of all these strategies is that they require companies to engage in bringing about and managing both organizational changes and changes on the individual level. Although most employees understand that change is continuous—responsibilities, job assignments, and work processes change—people often resist it because it requires them to modify or abandon ways of working that have been successful or at least familiar to them. Successful change rarely occurs naturally or easily.

Some of the strategic changes companies pursue are reactive changes that result when external forces, such as the competition, a recession, a law change, or an ethical crisis (such as the backlash Volkswagen experienced in 2016 for cheating on its vehicles' emissions tests) have already affected an organization's performance. Other strategic changes are proactive changes, initiated by managers to take advantage of targeted opportunities, particularly in fast-changing industries in which followers are not successful.

Good HR managers know that they can be key players when it comes to driving the business strategies of their organizations to make changes. That is why forward-looking CEOs, including those of Southwest Airlines, Starbucks, and GE, make certain their top HR executives report directly to them and help them address key issues.

A rapidly growing number of companies, including Ford, Intel, United Technologies, and the gamemaker Electronic Arts, are assigning HR representatives to their core business teams to make certain they are knowledgeable about core business issues. In

downsizing

The planned elimination of jobs.

outsourcing

Contracting outside the organization to have work done that formerly was done by internal employees.

offshoring

The business practice of sending jobs to other countries.



Some changes are reactive, such as those experienced by Volkswagen when it was revealed the company had cheated on its vehicles' emission tests.

addition, companies are increasingly rotating non-HR managers *into* HR positions and vice versa to give them exposure to different areas of the organization. Rather than emphasizing the administrative aspects of HR, these companies develop and promote their HR personnel and provide them with key business statistics and numbers they can use to measure the effectiveness of the workforce.

We will discuss more about competitive HR strategies and HR in Chapter 2. Meanwhile, keep in mind that HR's role is not all about providing advice to CEOs and supervisors. In addition to serving as a strategic partner to management, HR managers are also responsible for listening to and advocating on behalf of employees to make sure their interests are aligned with those of the firm and vice versa. A good deal of evidence suggests that this is one of the toughest parts of an HR manager's job. We will discuss more about this aspect of the job later in the chapter.

1.2b Competing, Recruiting, and Staffing Globally

Have you ever thought about working abroad or learning a second (or third) language? Doing so could give you a big advantage in today's workplace. Why? Because the strategies companies are pursuing today increasingly involve one or more elements of globalization. The integration of world economies and markets has sent businesses abroad to look for opportunities, fend off foreign competitors domestically, and find the right kind of employees to help them do so. Consumers around the world today want to be able to buy "anything, anytime, anywhere," and companies are making it possible for them to do so. Want to buy a Coke in Pakistan? No problem. Coca-Cola has an elaborate delivery system designed to transport its products to some of the remotest places on the planet. In fact, the company has long generated more of its revenues abroad than it does in the United States

Importing and exporting goods and services is the easiest way to “go global.” India has the world’s second-largest population (1.2 billion people) and a growing middle class, so firms are increasingly trying to expand their exports to that country.⁷ Apple is one of those companies. Although the iPhone dominates the U.S. market, only 5 percent of smartphones in India are iPhones. Partnerships, mergers, and takeovers are other ways companies are preparing for globalization.

Many American and foreign firms have partnered with Chinese firms to expand in China, which is the world’s most populous country, with 1.3 billion people. In turn, Chinese and other foreign companies are merging with American firms, sometimes in industries you wouldn’t expect. For example, in 2016, the Chinese firm Dalian Wanda Group bought U.S. film company Legendary, which produced *The Dark Knight*, *Jurassic World*, and *Straight Outta Compton*.⁸

As a result of globalization, the national identities of products are blurring, too. BMW is a German brand, but the automaker builds cars in the United States, China, and elsewhere. Likewise, you probably think of Budweiser as an American beer, but its maker (Anheuser-Busch) is owned by a Belgian company called InBev. Like many other companies, Anheuser-Busch InBev has been purchasing or partnering with factories and brands in other countries such as China and Mexico to expand its sales.⁹ After buying Legendary, Dalian Wanda Group produced *The Great Wall* starring Matt Damon, which was released in both China and the United States.

Numerous free-trade agreements forged between nations in the last half century have helped quicken the pace of globalization. The first major trade agreement of the twentieth century was made in 1948, following World War II. Called the General Agreement on Tariffs and Trade (GATT), it established rules and guidelines for global commerce between nations and groups of nations. Since GATT began, the growth in world trade has far outpaced the growth in the world’s overall output. GATT paved the way for the formation of many major trade agreements and institutions, including the European Union in 1986 and the North American Free Trade Agreement (NAFTA) in 1994, encompassing the United States, Canada, and Mexico.

Although they have come under fire from people and politicians around the world, new free-trade agreements continue to be forged. The United Kingdom left (“Brexit”) the European Union in 2016. Nonetheless, even the country’s most vocal opponents of global trade are anxious to complete a new free-trade deal with India to do more business with that nation.¹⁰

How Globalization Affects HRM

Due to globalization, firms have to balance a complicated set of issues related to different geographies, including different cultures, employment laws, and business practices, and the safety of employees and facilities abroad. Human resource issues underlie each of these concerns. They include such things as dealing with employees today who, via the Internet and social media, are better informed about global job opportunities and are willing to pursue them, even if it means working for competing companies or foreign companies. Gauging the knowledge and skill base of workers worldwide and figuring out how best to hire and train them (sometimes with materials that must be translated into a number of different languages) is also an issue for firms. Relocating managers and training foreign managers abroad to direct the efforts of an international workforce is a challenge as well. In Chapter 15, we will explain how these challenges are tackled.

1.2c Setting and Achieving Corporate Social Responsibility and Sustainability Goals

Globalization has led to an improvement in people's living standards in the last half century. As a result of free trade, Americans are able to buy products made abroad more cheaply. Conversely people in low-wage countries that make those goods and services are becoming wealthier and are beginning to buy American-made products. Nonetheless, globalization stirs fierce debate—especially when it comes to jobs. Since the turn of the century, millions of U.S. jobs—both white collar and blue collar—have been exported to low-wage nations all around the world. Other people worry that free trade is creating a “have/have not” world economy, in which the people in developing economies and the world's environment are being exploited by companies in richer, more developed countries. This has sparked anti-free-trade protests in many nations.

Concerns such as these, coupled with corporate scandals over the years, including the use of sweatshop labor in third-world countries, have led to a new focus on **corporate social responsibility**, or good corporate citizenship. Many firms and professional associations also have ethics codes, or codes of conduct. The codes are written guidelines that clarify right and wrong behaviors an organization endorses or prohibits. Highlights in HRM 2 shows the codes of ethics adopted by the Society for Human Resources Management. Other firms have gone so far as to appoint “chief ethics officers” to try to ensure that ethical breaches by employees don't adversely affect their companies. Chief ethics officers and ethics are discussed in more detail in Chapters 7 and 13.

Companies are learning (sometimes the hard way) that being ethical and socially responsible both domestically and abroad can not only help them avoid lawsuits but also improve their earnings. For example, researchers at Boston College's Center for Corporate Citizenship found that as a company's reputation improved, so did the percentage increase in the number of people who would recommend that firm. Nearly two-thirds of

corporate social responsibility

The responsibility of the firm to act in the best interests of the people and communities affected by its activities.



MUNIR UZ ZAMAN/AP/Getty Images

After an unsafe factory collapsed, killing hundreds of textiles workers in Bangladesh in 2013, approximately 70 retailers, mostly European, signed an agreement to inspect factories they offshore work to and finance safety upgrades for them.