fundamentals of
Human Resource
MANAGEMENT

EIGHTH EDITION

Raymond A. Noe
John R. Hollenbeck
Barry Gerhart
Patrick M. Wright

McGraw Hill Education

fundamentals of
Human Resource
MANAGEMENT

fundamentals of
Human Resource Management

EIGHTH EDITION

Raymond A. Noe
The Ohio State University

John R. Hollenbeck
Michigan State University

Barry Gerhart
University of Wisconsin–Madison

Patrick M. Wright
University of South Carolina

Mc
Graw
Hill
Education

pic4.jpg

FUNDAMENTALS OF HUMAN RESOURCE MANAGEMENT, EIGHTH EDITION

Library of Congress Cataloging-in-Publication Data
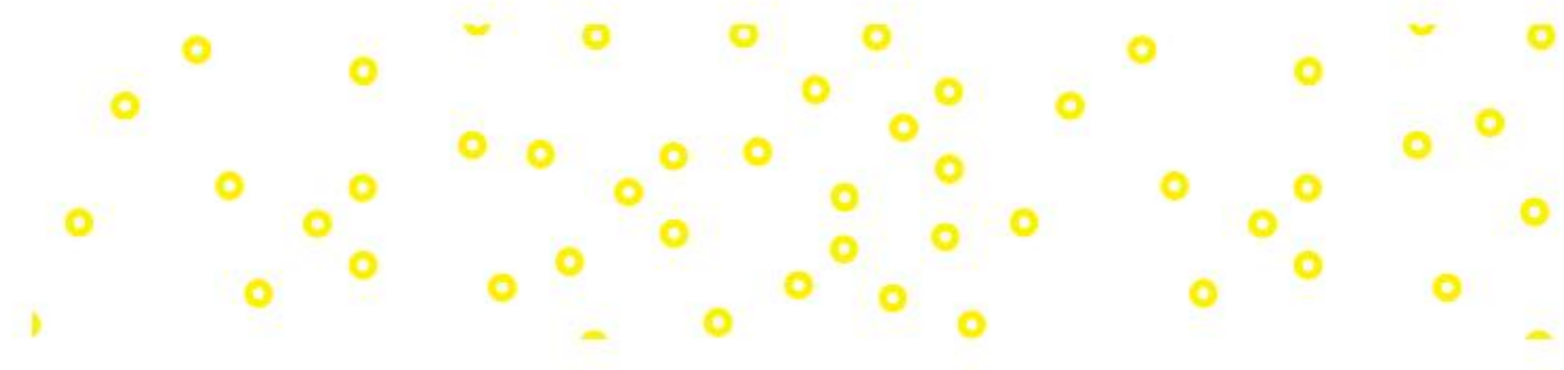
To my independent yet loving kids, Ray, Tim, and Melissa, and cats, Lucky, Chester, and Milo

—R.A.N.

To my beloved Plus-ones, Jonathon, Kelsey, Mariano, and Sabrina

—J.R.H.

To my parents, Robert and Shirley, my wife, Heather, and my children, Chris and Annie

—B.G.

To my late parents, Patricia and Paul, my wife, Mary, and my sons, Michael and Matthew

—P.M.W.

About the Authors

Raymond A. Noe is the Robert and Anne Hoyt Designated Professor of Management at The Ohio State University. Before joining the faculty at Ohio State, he was a professor in the Department of Management at Michigan State University and the Industrial Relations Center of the Carlson School of Management, University of Minnesota. He received his BS in psychology from The Ohio State University and his MA and PhD in psychology from Michigan State University. Professor Noe conducts research and teaches all levels of students—from undergraduates to executives—in human resource management, training and development, performance management, and talent management. He has published articles in the *Academy of Management Annals, Academy of Management Journal, Academy of Management Review, Journal of Applied Psychology, Journal of Vocational Behavior,* and *Personnel Psychology.* Professor Noe is currently on the editorial boards of several journals including *Personnel Psychology, Journal of Applied Psychology, Journal of Management,* and *Human Resources Management Review.* Professor Noe has received awards for his teaching and research excellence, including the Ernest J. McCormick Award for Distinguished Early Career Contribution from the Society for Industrial and Organizational Psychology. He is also a fellow of the Society of Industrial and Organizational Psychology.

John R. Hollenbeck holds the positions of University Distinguished Professor at Michigan State University and Eli Broad Professor of Management at the Eli Broad Graduate School of Business Administration. Dr. Hollenbeck received his PhD in Management from New York University in 1984. He served as the acting editor at *Organizational Behavior and Human Decision Processes* in 1995, the associate editor of *Decision Sciences* from 1999 to 2004, and the editor of *Personnel Psychology* from 1996 to 2002. He has published over 90 articles and book chapters on the topics of team decision making and work motivation. According to the Institute for Scientific Information, this body of work has been cited over 4,000 times by other researchers. Dr. Hollenbeck has been awarded fellowship status in both the Academy of Management and the American Psychological Association, and was recognized with the Career Achievement Award by the HR Division of the Academy of Management (2011), The Distinguished Service Contributions Award (2014), and the Early Career Award by the Society of Industrial and Organizational Psychology (1992). At Michigan State, Dr. Hollenbeck has won several teaching awards including the Michigan State Distinguished Faculty Award, the Michigan State Teacher-Scholar Award, and the Broad MBA Most Outstanding Faculty Member.

Barry Gerhart is Professor of Management and Human Resources and the Bruce R. Ellig Distinguished Chair in Pay and Organizational Effectiveness, School of Business, University of Wisconsin–Madison. He has also served as department chair or area coordinator at Cornell, Vanderbilt, and Wisconsin. His research interests include compensation, human resource strategy, international human resources, and employee retention. Professor Gerhart received his BS in psychology from Bowling Green State University and his PhD in industrial relations from the University of Wisconsin–Madison. His research has been published in a variety of outlets, including the *Academy of Management Annals, Academy of Management Journal, Annual Review of Psychology, International Journal of Human Resource Management, Journal of Applied Psychology, Management and Organization Review,* and *Personnel Psychology.* He has co-authored two books in the area of compensation. He serves on the editorial boards of journals such as the *Academy of Management Journal, Industrial and Labor Relations Review, International Journal of Human Resource Management, Journal of Applied Psychology, Journal of World Business, Management & Organization Review,* and *Personnel Psychology.* Professor Gerhart is a past recipient of the Heneman Career Achievement Award, the Scholarly Achievement Award, and (twice) the International Human Resource Management Scholarly Research Award, all from the Human Resources Division, Academy of Management. He is a Fellow of the Academy of Management, the American Psychological Association, and the Society for Industrial and Organizational Psychology.

Patrick M. Wright is the Thomas C. Vandiver Bicentennial Chair and the Director of the Center for Executive Succession in the Darla Moore School of Business at the University of South Carolina. Prior to joining USC, he served on the faculties at Cornell University, Texas A&M University, and the University of Notre Dame. Professor Wright teaches, conducts research, and consults in the area of strategic human resource management (SHRM), particularly focusing on how firms use people as a source of competitive advantage and the changing nature of the chief HR officer (CHRO) role. He is the faculty leader for the Cornell ILR Executive Education/NAHR program, "The Chief HR Officer: Strategies for Success," aimed at developing potential successors to the CHRO role. He served as the lead editor on the recently released book, *The Chief HR Officer: Defining the New Role of Human Resource Leaders,* published by John Wiley and Sons. He has published more than 60 research articles in journals as well as more than 20 chapters in books and edited volumes. He is the Editor at the *Journal of Management.* He has coedited a special issue of *Research in Personnel and Human Resources Management* titled "Strategic Human Resource Management in the 21st Century" and guest edited a special issue of *Human Resource Management Review* titled "Research in Strategic HRM for the 21st Century." He currently serves as a member on the Board of Directors for the National Academy of Human Resources (NAHR). He is a former board member of HRPS, SHRM Foundation, and World at Work (formerly American Compensation Association). From 2011 to 2015 he was named by *HRM Magazine* as one of the 20 "Most Influential Thought Leaders in HR."

Preface

Managing human resources is a critical component of any company's overall mission to provide value to customers, shareholders, employees, and the community in which it does business. Value includes profits as well as employee growth and satisfaction, creation of new jobs, contributions to community programs, protection of the environment, and innovative use of new technologies.

Our Approach: Engage, Focus, and Apply

Following graduation, most students will find themselves working in businesses or not-for-profit organizations. Regardless of position or career aspirations, their role in directly managing other employees or understanding human resource management (HRM) practices is critical for ensuring both company and personal success. Therefore, *Fundamentals of Human Resource Management,* Eighth Edition, focuses on human resource issues and how HR is a key component of any company's overall corporate strategy. *Fundamentals* is applicable to both HR majors and students from other majors or colleges who are taking an HR course as an elective or a requirement.

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

Each chapter includes several different pedagogical features. "Best Practices" provides examples of companies whose HR activities work well. "HR Oops!" highlights HRM issues that have been handled poorly. "Did You Know?" offers interesting statistics about chapter topics and how they play out in real-world companies. "HRM Social" demonstrates how social media and the Internet can be useful in managing HR activities in any organization. "Thinking Ethically" confronts students with issues that occur in managing human resources. Each feature includes questions to assist students with critical thinking and to spark classroom discussions.

Fundamentals also assists students with learning "How To" perform HR activities, such as applying HR data to solve business problems, devising plans for workplace flexibility, and making incentive pay part of a total-rewards package. These are all work situations students are likely to encounter as part of their professional careers. The end-of-chapter cases focus on corporate sustainability ("Taking Responsibility"), managing the workforce ("Managing Talent"), and HR activities in small organizations ("HR in Small Business").

Organization of the Eighth Edition

Part 1 (Chapters 1–4) discusses the environmental forces that companies face in trying to manage human resources effectively. These forces include economic, technological, and social trends; employment laws; and work design. Employers typically have more control over work design than over trends and equal employment laws, but all of these factors influence how companies attract, retain, and motivate human resources. Chapter 1 discusses why HRM is a critical component to an organization's overall success. The chapter introduces HRM practices and the roles and responsibilities of HR professionals and other managers in managing human resources. Chapter 2 looks at current trends that impact human resources in the workplace, including automation, robots, artificial intelligence, and people analytics. Chapter 3 provides an overview of the major laws affecting employees and the ways organizations can develop HR practices that comply with the laws. Chapter 4 highlights how jobs and work systems determine the knowledge, skills, and abilities employees need to perform their jobs and influence workers' motivation, satisfaction, and safety at work.

Part 2 (Chapters 5–8) deals with acquiring, training, and developing human resources. Chapter 5 discusses how to develop an HR plan. It emphasizes the strengths and weaknesses of different options for dealing with shortages and excesses of human resources. Chapter 6 emphasizes that employee selection is a process that starts with screening applications and résumés and concludes with a job offer. Chapter 7 covers the features of effective training systems. Chapter 8 demonstrates how assessment, job experiences, formal courses, and mentoring relationships can be used to develop employees for future success.

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

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

Part 5 (Chapters 15–16) covers other HR topics including collective bargaining and labor relations and managing human resources in a global organization. Chapter 15 explores HR activities as they pertain to employees who belong to unions or who are seeking to join unions. Concluding Part 5, Chapter 16 focuses on HR activities in international settings, including planning, selecting, training, and compensating employees who work overseas. The chapter also explores how cultural differences among countries and workers affect decisions about human resources.

Content Changes in the New Edition
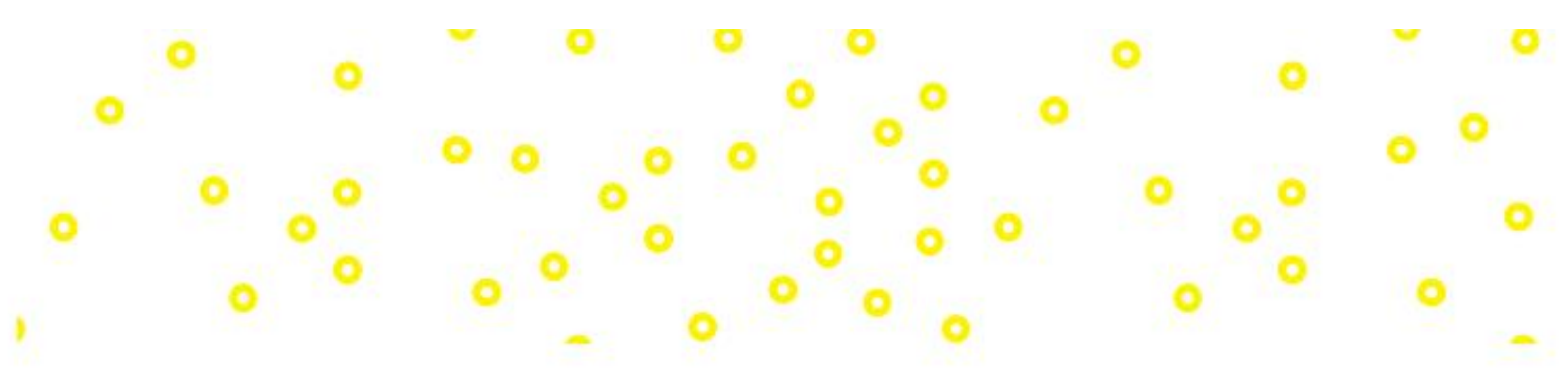
Three new features have been added to the Eighth Edition of *Fundamentals:*

- *Video Conversations with Chief HR Officers (CHROs):* Created by the Center for Executive Succession at the Darla Moore School of Business, University of South Carolina, video conversations with CHROs from top organizations such as Accenture, Bank of America, Boeing, GE, HP, Merck, and others are tied in to pertinent chapters. In addition, the videos are featured in Connect, along with questions related to chapter content.

- *HR Analytics & Decision Making:* These new features throughout the book highlight an evidence-based approach to HR management and focus on people, employees, and human capital.

- *Self-Assessment Exercises:* Appearing at the end of the chapter and in Connect, these exercises help students gather information about themselves as it relates to topics covered in each chapter.

In addition to new or updated chapter pedagogy and real-world examples, the text contains the following content changes to help students and instructors keep current on important HR trends and topics:

- **Chapter 1** includes a detailed discussion on the skills required for HRM professionals as defined by the Society for Human Resource Management (SHRM) and an expanded discussion on HR certification programs and professional HR development programs by various professional organizations. Table 1.2 has been updated to highlight the top qualities employers are now looking for when recruiting potential employees. Figure 1.6 has been revised to reflect current median salaries for various HRM positions.

- **Chapter 2** provides current workforce statistics, including projections for the number of workers over the next several years, as well as a discussion on various age, gender, and ethnic groups within the U.S. labor force. Illustrations have been updated to reflect current labor force data. Other trends discussed include the increased use of teams within the service sector to foster a flexible approach to work; the top occupations expected to gain the most jobs in the coming decade; the significant slowdown in layoffs as the economy continues to thrive; and the increased use of technology to automate various HR tasks. In addition, a new section on People Analytics has been added that highlights important advances in artificial intelligence, which may impact various components of HRM within organizations large and small.

- **Chapter 3** has been updated to include discussions and features on sexual harassment (including the #MeToo movement); the impact of the opioid crisis on federal occupational safety and health standards; and protection from gun violence in the workplace. In addition, illustrations have been updated to reflect current statistics on age discrimination, types of charges filed with the EEOC, and rates of occupational injuries and illnesses.

- **Chapter 4** includes new discussions on the emergence of bots in the workplace to do monotonous tasks so freed-up workers can focus their time on resolving problems, and on the increasing importance of automation in everyday work tasks that can help enhance—not eliminate—workers' jobs.

- **Chapter 5** covers the process of HR planning, which includes forecasting, goal setting, and strategic planning. A new discussion about trends affecting labor demand today includes advances in technology such as robots, 3D printing, and artificial intelligence, which are making it possible for businesses to increase productivity. The section on recruiting human resources has been refreshed to include a discussion about the
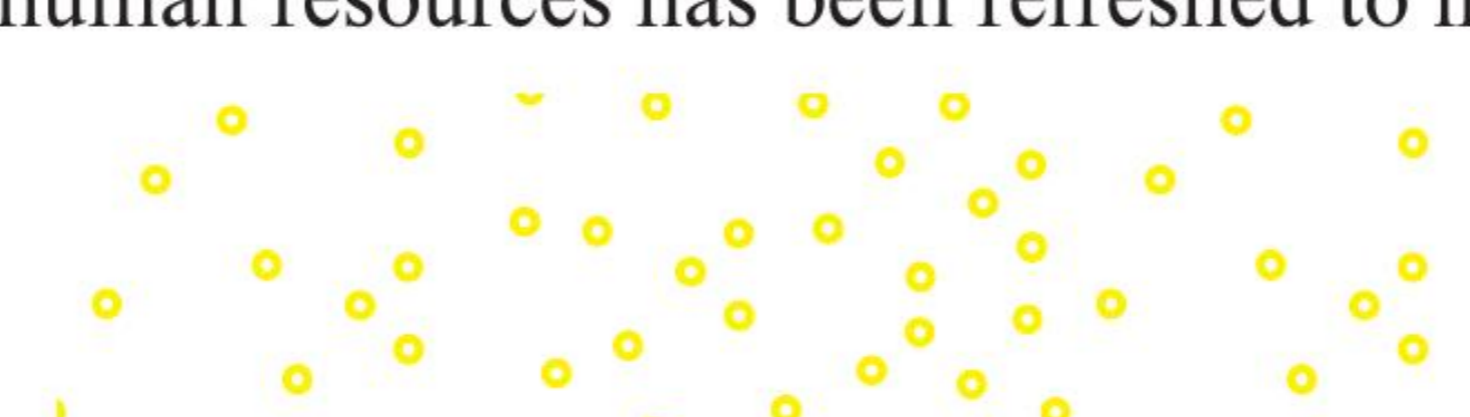
importance of building an organization's positive image as a way to attract and retain key professionals. In addition, the section on job search and networking platforms has been revised and expanded.

- **Chapter 6** includes a new table that provides examples of the kinds of questions appropriate for both a situational interview and a behavior description interview, as well as coverage of how some companies are using AI as part of the interview process and analysis.

- **Chapter 7** provides an updated discussion on the increased use of simulations in employee training; the need for additional training when it comes to basic skills; and how LinkedIn Learning has become the corporate training center with short, video-based courses in several languages.

- **Chapter 8** includes a detailed discussion on engaging male employees to consider their role in maintaining a workplace that draws fully on the contributions of female as well as male workers. In addition, a look at why today's fast-paced business environment is forcing organizations to take a different approach to succession planning over a shorter timeline has been added.

- **Chapter 9** opens with a feature on how Amazon introduced employee surveys whose statistics are used by managers to help improve the work environment. In addition, a discussion has been added about the significance of critical thinking and knowledge sharing as more routine worker tasks become automated.

- **Chapter 10** provides an expanded discussion about how some organizations are rethinking their approach to performance reviews—emphasizing ongoing performance feedback conversations between employees and their supervisors rather than an annual recap.

- **Chapter 11** includes a new table highlighting the HR practices that support effective separation and retention of employees. In addition, new real-world examples underscore the importance of employers recognizing that even their top employees may be looking for new jobs elsewhere and how to retain them.

- **Chapter 12** provides updated earning data for women, men, and minorities and suggests strategies companies can use to close the pay gaps. In addition, a new section highlights the legal requirement that companies must report the ratio of CEO pay to the pay of a typical worker in the organization.

- **Chapter 13** focuses on recognizing employee contributions with pay, including new examples of how businesses are rethinking their approach to bonuses and tying them to company performance.

- **Chapter 14** updates information on employee benefits as a percentage of total compensation, Social Security information, and taxes paid by both employers and employees.

- **Chapter 15** presents information on current trends and statistics in union membership and discusses the recent U.S. Supreme Court decision on whether unions infringe on individual rights when they require membership and/or dues.

- **Chapter 16** highlights trends in managing human resources globally, including the impact of recent tariffs imposed by the United States that will affect both domestic and foreign businesses, as well as the U.S. immigration plan that may prevent much-needed foreign workers from coming to the United States. In addition, an updated discussion on the Brexit plan, the UK's departure from the European Union, highlights some of the issues that will affect human resources both in the UK and elsewhere.
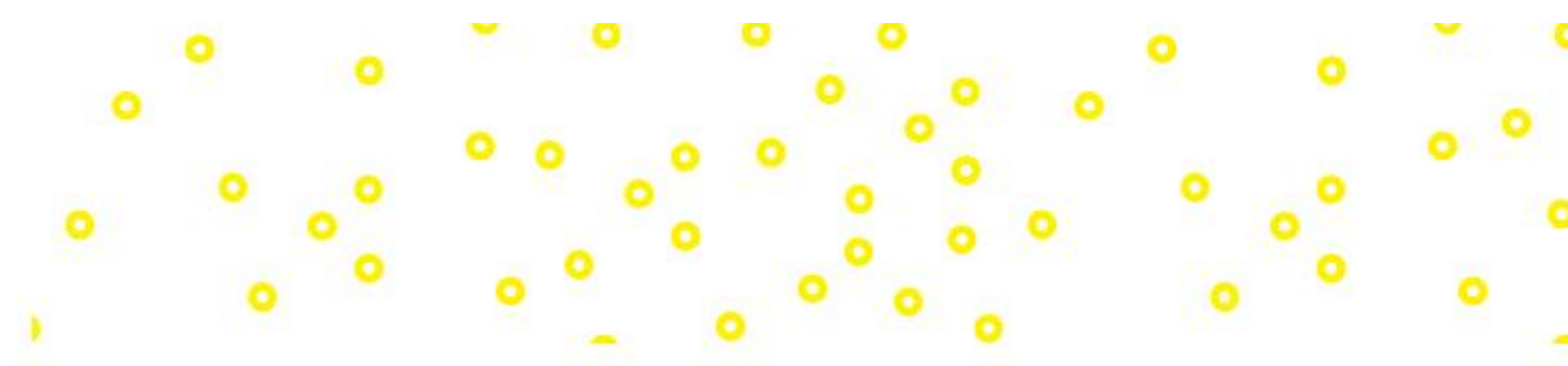
The author team believes that the focused, engaging, and applied approach of *Fundamentals* distinguishes it from other books that have similar coverage of HR topics. The new Eighth Edition has timely coverage of important HR issues, is easy to read, has many features that grab the students' attention, and gets students actively involved in learning.

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

Acknowledgments

Bin Ma
Baruch College, City University of New York,
University of Missouri, Columbia

Stephanie D. McKenzie
Houston Community College

Eivis Qenani
California Polytechnic State University, San
Luis Obispo

Jim Russell
Purdue University

Joanna Shaw
Tarleton State University

David M. Sikora
Georgia Southern University

Paula Kirch Smith
Cincinnati State

Kris Sperstad
Chippewa Valley Technical College

Robert (Scott) Taylor
Moberly Area Community College

Gary Valcana
Athens State University

Yingchun Wang
University of Houston Downtown

Bruce A. Western
Western Illinois University

T. Craig Williams
East Carolina University

Nina E. Woodard
California State University, San Marcos

Weichu Xu
East Stroudsburg University

Raymond A. Noe
John R. Hollenbeck
Barry Gerhart
Patrick M. Wright

connect®

Students—study more efficiently, retain more and achieve better outcomes. Instructors—focus on what you love—teaching.

SUCCESSFUL SEMESTERS INCLUDE CONNECT

FOR INSTRUCTORS

You're in the driver's seat.

Want to build your own course? No problem. Prefer to use our turnkey, prebuilt course? Easy. Want to make changes throughout the semester? Sure. And you'll save time with Connect's auto-grading too.
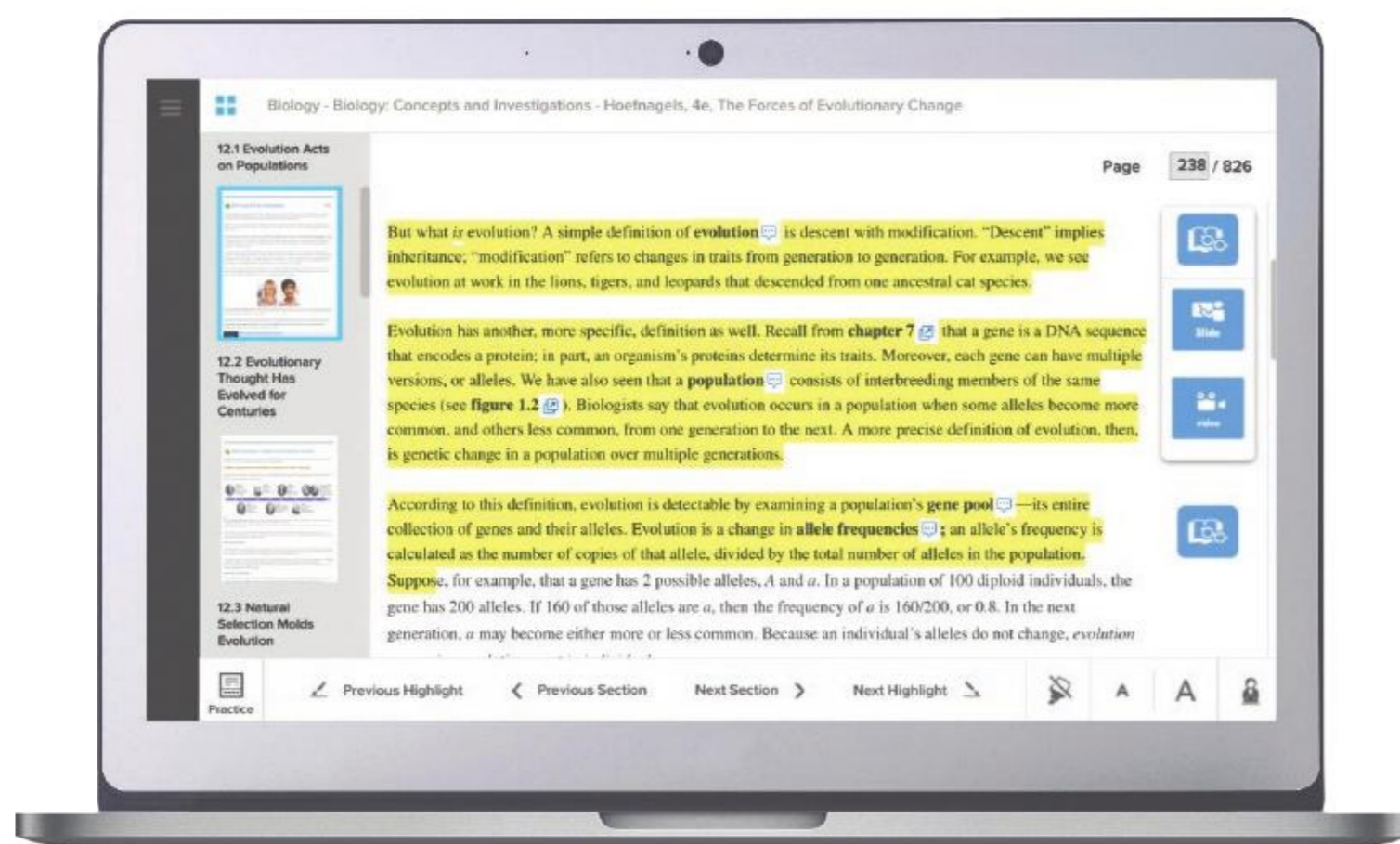
65%
Less Time Grading

They'll thank you for it.

Adaptive study resources like SmartBook® help your students be better prepared in less time. You can transform your class time from dull definitions to dynamic debates. Hear from your peers about the benefits of Connect at **www.mheducation.com/highered/connect**

Make it simple, make it affordable.

Connect makes it easy with seamless integration using any of the major Learning Management Systems—Blackboard®, Canvas, and D2L, among others—to let you organize your course in one convenient location. Give your students access to digital materials at a discount with our inclusive access program. Ask your McGraw-Hill representative for more information.
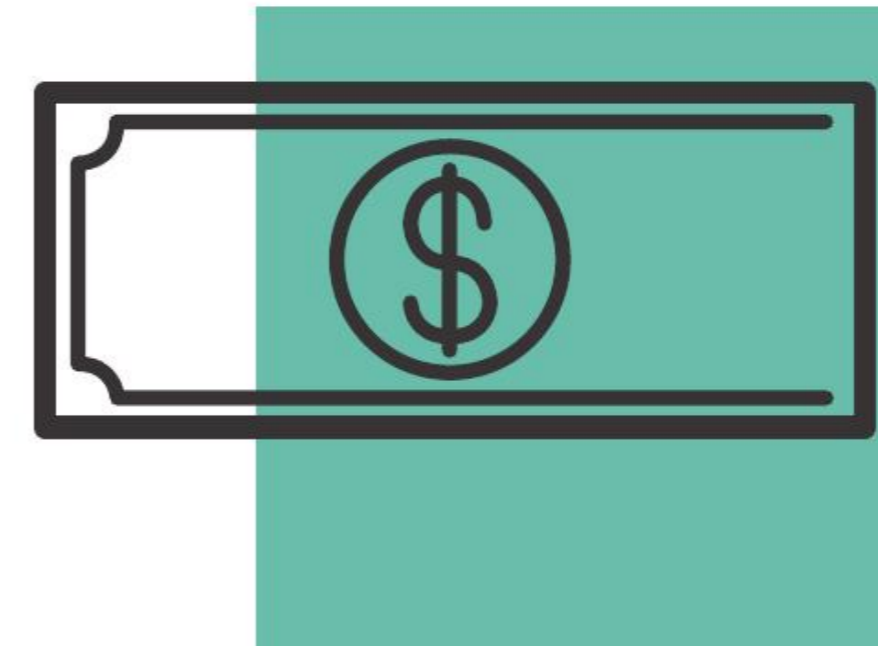
©Hill Street Studios/Tobin Rogers/Blend Images LLC
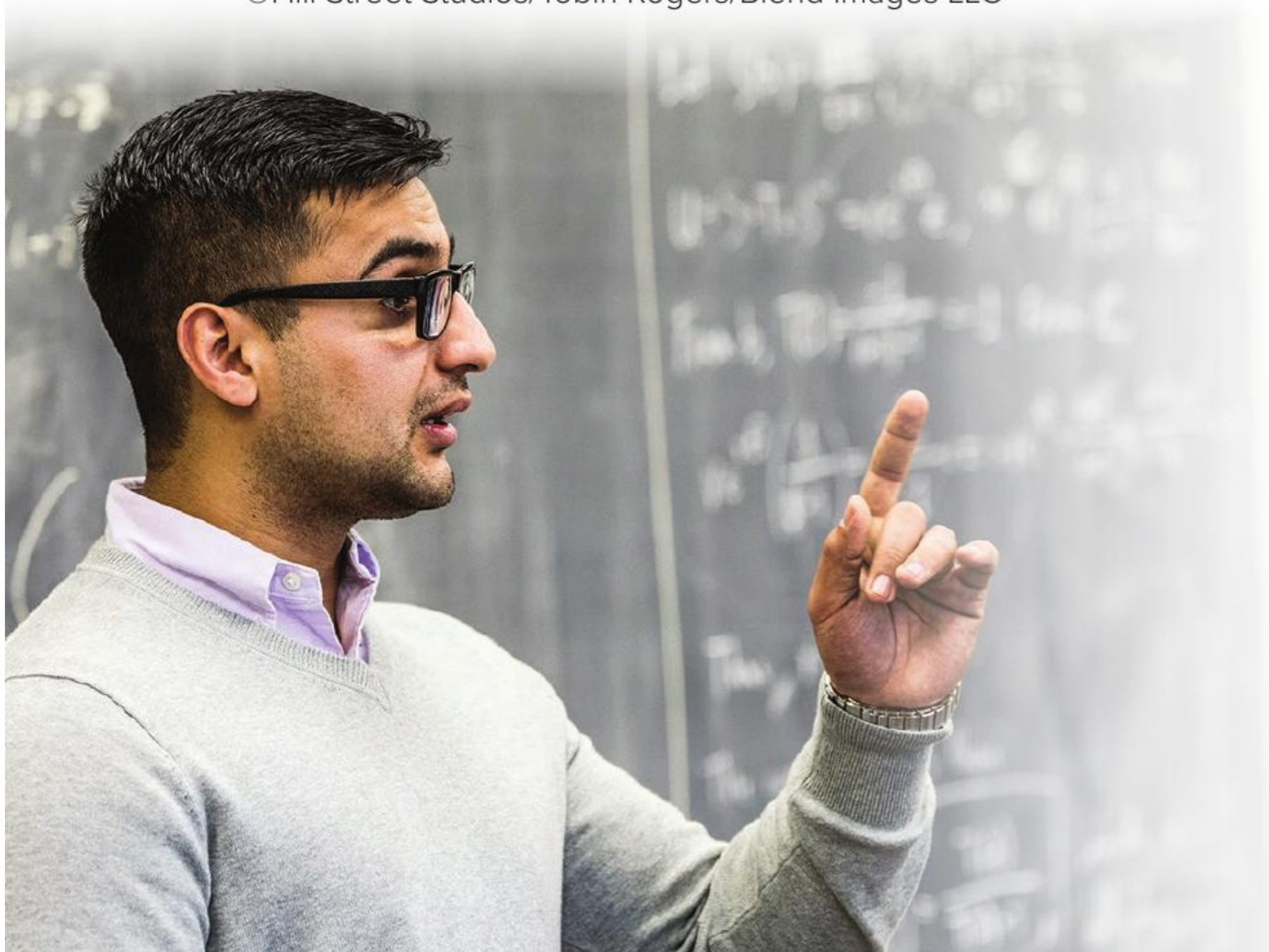
Solutions for your challenges.

A product isn't a solution. Real solutions are affordable, reliable, and come with training and ongoing support when you need it and how you want it. Our Customer Experience Group can also help you troubleshoot tech problems—although Connect's 99% uptime means you might not need to call them. See for yourself at **status.mheducation.com**

FOR STUDENTS

Effective, efficient studying.

Connect helps you be more productive with your study time and get better grades using tools like SmartBook, which highlights key concepts and creates a personalized study plan. Connect sets you up for success, so you walk into class with confidence and walk out with better grades.
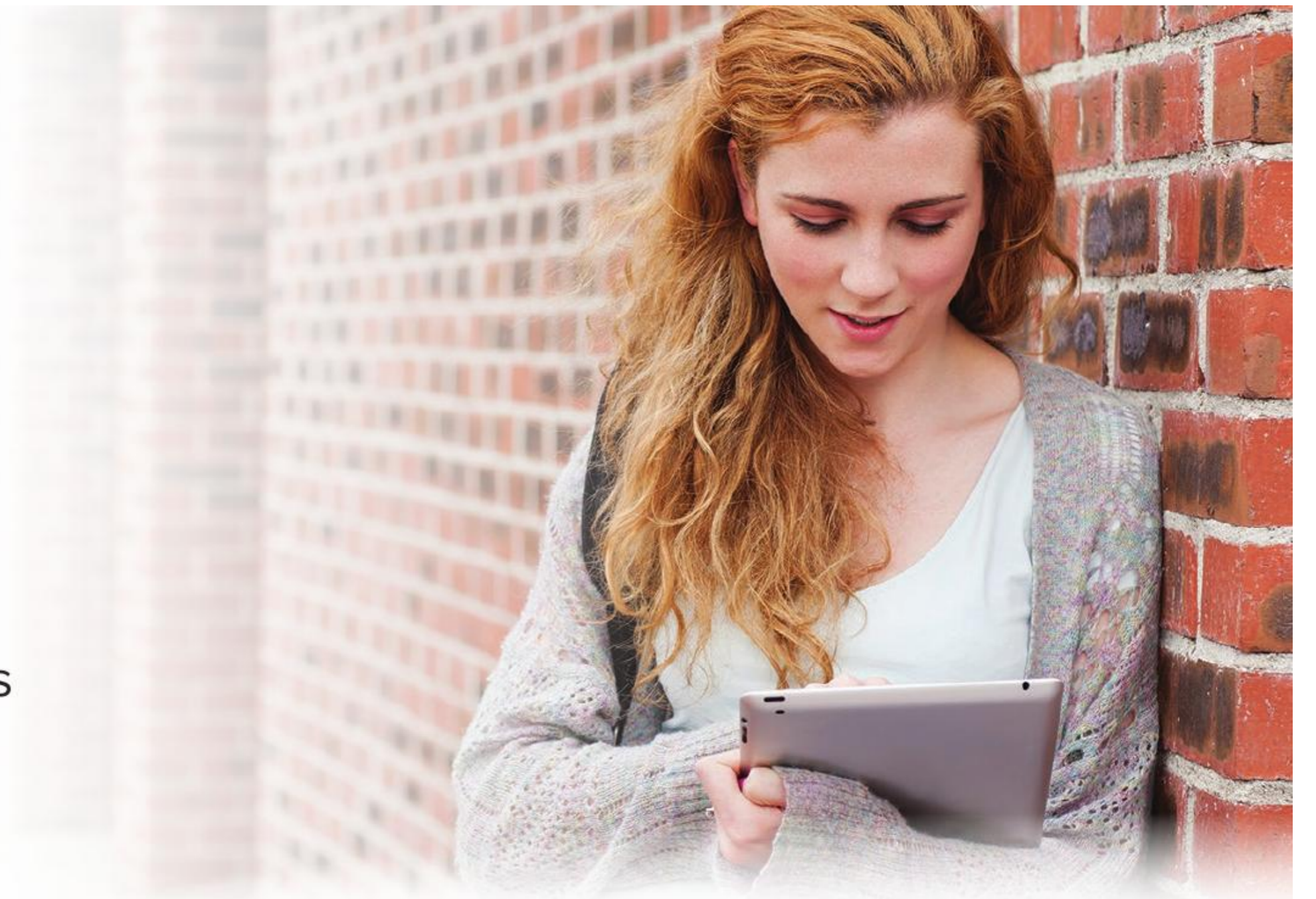
©Shutterstock/wavebreakmedia

"I really liked this app—it made it easy to study when you don't have your text-book in front of you."

- Jordan Cunningham, Eastern Washington University

Study anytime, anywhere.

Download the free ReadAnywhere app and access your online eBook when it's convenient, even if you're offline. And since the app automatically syncs with your eBook in Connect, all of your notes are available every time you open it. Find out more at **www.mheducation.com/readanywhere**

No surprises.

The Connect Calendar and Reports tools keep you on track with the work you need to get done and your assignment scores. Life gets busy; Connect tools help you keep learning through it all.

13	14
Chapter 12 Quiz	Chapter 11 Quiz
Chapter 13 Evidence of Evolution	Chapter 11 DNA Technology
	Chapter 7 Quiz
	Chapter 7 DNA Structure and Gene...
	and 7 more...
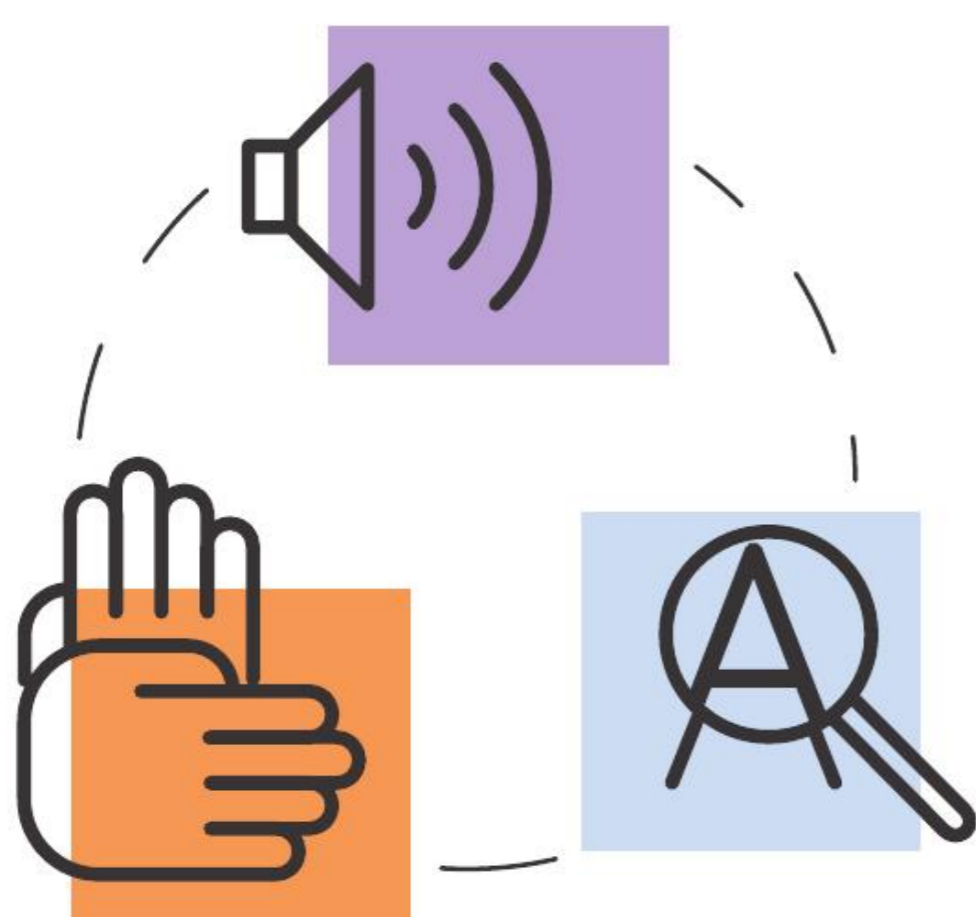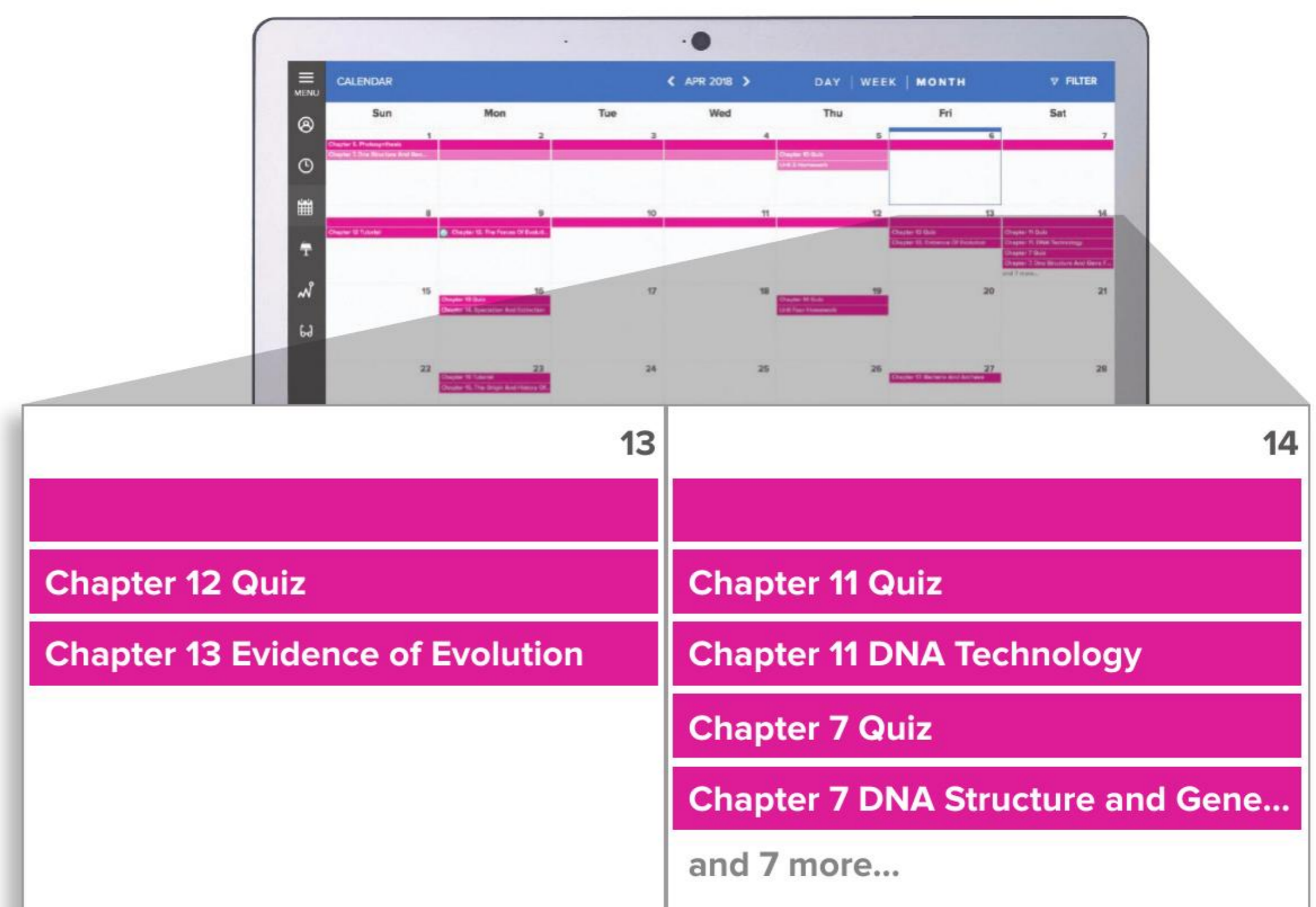
Learning for everyone.

McGraw-Hill works directly with Accessibility Services Departments and faculty to meet the learning needs of all students. Please contact your Accessibility Services office and ask them to email accessibility@mheducation.com, or visit **www.mheducation.com/about/accessibility.html** for more information.

Brief Contents

Contents

PART 3

Assessing and Improving Performance 271

pic25.jpg

The Human Resource Environment

PART ONE

1

Managing Human Resources

Introduction

Imagine starting a business: What would be your top concern? Typically, business founders start by focusing on the product or service they will offer to meet a need. Dr. Amy Baxter saw the problem of needle pain when treating children in emergency rooms. Her research into how to treat the problem with a combination of cold and vibration led her to found VibraCool, offering devices for health care providers and athletes. Becky Robinson observed that authors need help grabbing the attention of book buyers, so she formed Weaving Influence to provide assistance with online marketing and publicity.

A focus on producing and selling a product is an obvious way to get a business off the ground. But when it works, continued success requires more and more people to run the business. Baxter tried to meet the need for people at VibraCool by picking them herself. A candidate said she knew how to create effective marketing materials, so the doctor brought her onboard. The candidate failed to deliver, requiring Baxter to invest time and effort to undo the hiring mistake. At Weaving Influence, Robinson tried to take care of hiring employees and managing their pay. But she noticed that when she set aside time for those responsibilities, she wasn't selling services, and revenues would fall.

Both founders realized they needed help. As Robinson began to require more specialized talent than she could get from her own circle of acquaintances, she brought in help from an expert in human resources. Baxter reacted to her poor hiring decision by doing the same. Each business owner acknowledges that her company is stronger when she focuses on her own areas of knowledge.[1]

©nd3000/Shutterstock

What Do I Need to Know?

After reading this chapter, you should be able to:

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

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

LO 1-3 Summarize the types of competencies needed for human resource management.

LO 1-4 Explain the role of supervisors in human resource management.

LO 1-5 Discuss ethical issues in human resource management.

LO 1-6 Describe typical careers in human resource management.

As business founders like Amy Baxter and Becky Robinson have discovered, a company's success requires skillful **human resource management (HRM),** the policies, practices, and systems that influence employees' behavior, attitudes, and performance. Many companies refer to HRM as involving "people practices." Figure 1.1 emphasizes that there are several important HRM practices that should support the organization's business strategy: analyzing work and designing jobs, determining how many employees with specific knowledge and skills are needed (human resource planning), attracting potential employees (recruiting), choosing employees (selection), teaching employees how to perform their jobs and preparing them for the future (training and development), evaluating their performance (performance management), rewarding employees (compensation), and creating a positive work environment (employee relations). An organization performs best when all of these practices are managed well. At businesses and other organizations with effective HRM, employees and customers tend to be more satisfied, and the companies tend to be more innovative, have greater productivity, and develop a more favorable reputation in the community.[2]

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

Human Resource Management (HRM)
The policies, practices, and systems that influence employees' behavior, attitudes, and performance.

Human Resources and Company Performance

Managers and economists traditionally have seen human resource management as a necessary expense, rather than as a source of value to their organizations. Economic value is usually associated with *capital*—cash, equipment, technology, and facilities. However, research has demonstrated that HRM practices can be valuable.[3] Decisions such as whom to hire, what to pay, what training to offer, and how to evaluate employee performance directly
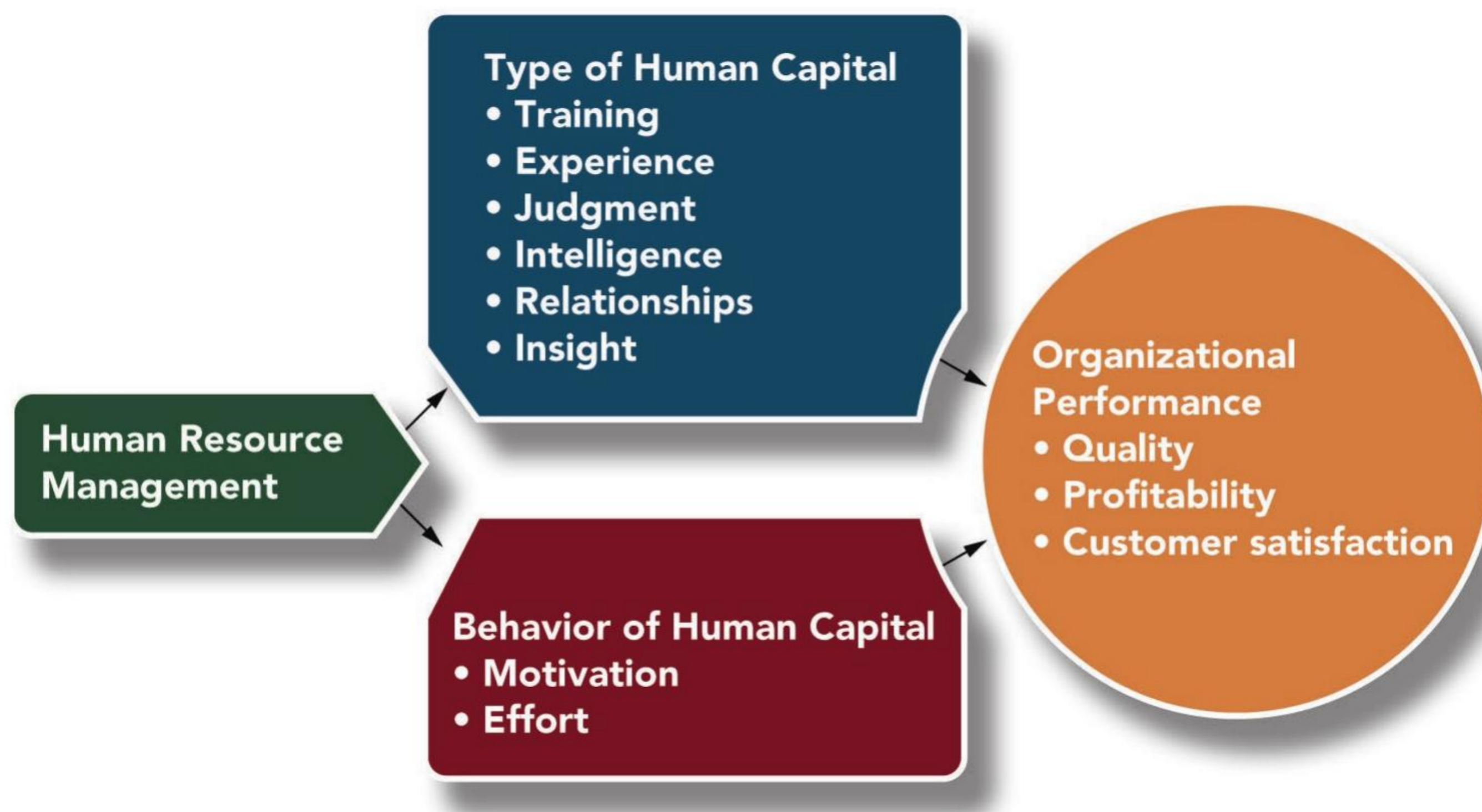
LO 1-1 Define human resource management, and explain how HRM contributes to an organization's performance.

FIGURE 1.1
Human Resource Management Practices

Strategic HRM

Analysis and design of work | HR planning | Recruiting | Selection | Training and development | Performance management | Compensation | Employee relations → **Company Performance**

FIGURE 1.2
Impact of Human
Resource Management

Human Resource Management → **Type of Human Capital**
- Training
- Experience
- Judgment
- Intelligence
- Relationships
- Insight

Behavior of Human Capital
- Motivation
- Effort

Organizational Performance
- Quality
- Profitability
- Customer satisfaction

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

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

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

In the United States, low-price retailers are notorious for the ways they keep labor costs down. They pay low wages, limit employees to part-time status (providing few or no employee benefits), and alter schedules at the last minute in order to minimize staffing when store traffic is light. But as the demand for workers has risen over the past few years, these companies tend to lose employees—often their best performers—to competitors. Some retailers are trying to up their game by becoming more desirable employers. The owner of a Wendy's franchise raised average pay by almost $1 per hour and began offering workers more flexible schedules. At the corporate level, Starbucks rolled out its College Achievement Plan, covering employee tuition for online courses from Arizona State University.[5]

At Google, the company's focus is on making employees feel valued, trained, and well compensated. In turn, there is a low turnover rate and a high degree of satisfaction. ©maglara/Shutterstock

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