

### OBJECTIVE 1.1

Define *human resource management*.

human resource management (HRM)

Utilization of individuals to achieve organizational objectives.

## Defining Human Resource Management

**Human resource management (HRM)** is the use of individuals to achieve organizational objectives. Basically, all managers get things done through the efforts of others. Consequently, managers at every level must concern themselves with HRM. Individuals dealing with human resource matters face a multitude of challenges, ranging from a constantly changing workforce to ever-present government regulations, a technological revolution, and the economy of the United States and the world. Furthermore, global competition has forced both large and small organizations to be more conscious of costs and productivity. Because of the critical nature of human resource issues, these matters must receive major attention from upper management.

The remainder of this chapter will enable you to gain an appreciation of HRM as a critical business function. In the next sections, we will introduce you to the functions that make up HRM and identify who is responsible for managing human resources (HR). Then, we will discuss HR as a strategic business partner and the dynamic role of the environment that influences HRM practice. Finally, we turn our attention to the importance of corporate and national culture and discuss the HRM profession.

### OBJECTIVE 1.2

Identify the human resource management functions.

staffing

Process through which an organization ensures that it always has the proper number of employees with the appropriate skills in the right jobs, at the right time, to achieve organizational objectives.

## Human Resource Management Functions

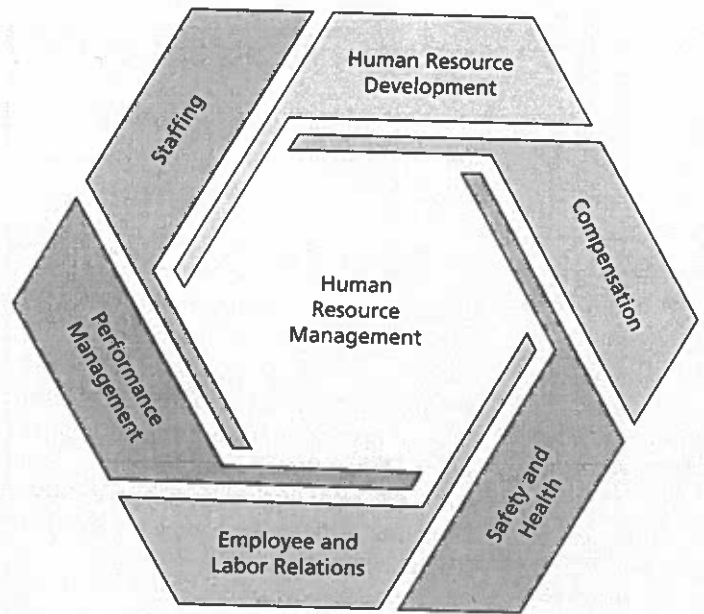
People who are engaged in managing HR develop and work through an integrated HRM system. As Figure 1-1 shows, six functional areas are associated with effective HRM: staffing, human resource development, performance management, compensation, safety and health, and employee and labor relations. These functions are discussed next.

### Staffing

**Staffing** is the process through which an organization ensures that it always has the proper number of employees with the appropriate skills in the right jobs, at the right time, to achieve organizational objectives. Staffing involves job analysis, human resource planning, recruitment, and selection, all of which are discussed in this text.



**FIGURE 1-1**  
**Human Resource**  
**Management Functions**



#### HR Web Wisdom

Pearson Web site for 14th Edition of *Human Resource Management*  
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Students can visit this Web site to get additional HR Web Wisdoms, in-the-news articles, cases, and chapter quizzes.

#### performance management (PM)

Goal-oriented process directed toward ensuring that organizational processes are in place to maximize the productivity of employees, teams, and ultimately, the organization.

#### human resource development (HRD)

Major HRM functions consisting not only of training and development but also of individual career planning and development activities, organization development, and performance management and appraisal.

*Job analysis* is the systematic process of determining the skills, duties, and knowledge required for performing jobs in an organization. It impacts virtually every aspect of HRM, including planning, recruitment, and selection. *Human resource planning* is the systematic process of matching the internal and external supply of people with job openings anticipated by the organization over a specified period. The data provided set the stage for recruitment or other HR actions. *Recruitment* is the process of attracting individuals on a timely basis, in sufficient numbers, and with appropriate qualifications to apply for jobs with an organization. *Selection* is the process of choosing the individual best suited for a particular position and the organization from a group of applicants. Successful accomplishment of the staffing function is vital if the organization is to effectively accomplish its mission. These topics are collectively often referred to as staffing.

### Performance Management

**Performance management** is a goal-oriented process that is directed toward ensuring that organizational processes are in place to maximize the productivity of employees, teams, and ultimately, the organization. *Performance appraisal* is a formal system of review and evaluation of individual or team task performance. It affords employees the opportunity to capitalize on their strengths and overcome identified deficiencies, thereby helping them to become more satisfied and productive employees.

### Human Resource Development

**Human resource development** is a major HRM function consisting not only of training and development but also of career planning and development activities, organization development, and performance management and appraisal. *Training* is designed to provide learners with the knowledge and skills needed for their present jobs. *Development* involves learning that goes beyond today's job and has a more long-term focus.

*Organization development (OD)* is planned and systematic attempts to change the organization (corporate culture), typically to a more behavioral environment. OD applies to an entire system, such as a company or a plant. A number of OD methods are discussed that serve to improve a firm's performance.

*Career planning* is an ongoing process whereby an individual sets career goals and identifies the means to achieve them. According to the U.S. Bureau of Labor Statistics, today's employees will work for approximately 9 to 11 companies during their careers based on the assumption that

most people will work 30 to 40 years.<sup>2</sup> A survey conducted by NYU's School of Continuing and Professional Studies showed that on average, individuals will change careers (not merely "jobs") three times in their life.<sup>3</sup> Employee loyalty loses its meaning in this environment.

*Career development* is a formal approach used by the organization to ensure that people with the proper qualifications and experiences are available when needed. Individual careers and organizational needs are not separate and distinct. Organizations should assist employees in career planning so the needs of both can be satisfied.

### Compensation

The question of what constitutes a fair day's pay has plagued management, unions, and workers for a long time. A well-thought-out compensation system provides employees with adequate and equitable rewards for their contributions to meeting organizational goals. As used in this book, the term *compensation* includes the total of all rewards provided to employees in return for their services. The rewards may be one or a combination of the following:

- **Direct Financial Compensation (Core Compensation):** Pay that a person receives in the form of wages, salaries, commissions, and bonuses.
- **Indirect Financial Compensation (Employee Benefits):** All financial rewards that are not included in direct compensation, such as paid vacations, sick leave, holidays, and medical insurance.
- **Nonfinancial Compensation:** Satisfaction that a person receives from the job itself or from the psychological or physical environment in which the person works.

#### direct financial compensation (core compensation)

Pay that a person receives in the form of wages, salary, commissions, and bonuses.

#### indirect financial compensation (employee benefits)

All financial rewards that are not included in direct financial compensation.

#### nonfinancial compensation

Satisfaction that a person receives from the job itself or from the psychological and/or physical environment in which the person works.

#### safety

Protection of employees from injuries caused by work-related accidents.

#### health

Employees' freedom from physical or emotional illness.

### Employee and Labor Relations

Businesses are required by law to recognize a union and bargain with it in good faith if the firm's employees want the union to represent them. In the past, this relationship was an accepted way of life for many employers, but most firms today would rather have a union-free environment. When a labor union represents a firm's employees, the human resource activity is often referred to as labor relations, which handles the job of collective bargaining. Internal employee relations comprise the HRM activities associated with the movement of employees within the organization such as promotions, demotion, termination, and resignation.

### Safety and Health

**Safety** involves protecting employees from injuries caused by work-related accidents. **Health** refers to the employees' freedom from physical or emotional illness. These aspects of the job are important because employees who work in a safe environment and enjoy good health are more likely to be productive and yield long-term benefits to the organization. Today, because of federal and state legislation that reflect societal concerns, most organizations have become attentive to their employees' safety and health needs.

### Human Resource Research

Although human resource research is not a distinct HRM function, it pervades all functional areas, and the researcher's laboratory is the entire work environment. For instance, a study related to recruitment may suggest the type of worker most likely to succeed in the culture of a particular firm. Research on job safety may identify the causes of certain work-related accidents. The reasons for problems such as excessive absenteeism or excessive grievances may not be readily apparent. However, when such problems occur, human resource research can often find the causes and offer possible solutions. Human resource research is clearly an important key to developing the most productive and satisfied workforce possible.

### Interrelationships of Human Resource Management Functions

All HRM functional areas are highly interrelated. Management must recognize that decisions in one area will affect other areas. For instance, a firm that emphasizes recruiting top-quality candidates but neglects to provide satisfactory compensation is wasting time, effort, and money.

In addition, a firm's compensation system will be inadequate unless employees are provided safe and healthy work environment. If a firm's compensation system pays below-market wages the firm will always be hiring and training new employees only to see the best leave for a competitor's higher wages. The interrelationships among the HRM functional areas will become more obvious as these topics are addressed throughout the book.

**OBJECTIVE 1.3**

Describe who performs human resource management activities.

## Who Performs Human Resource Management Activities?

The person or units who perform the HRM tasks have changed dramatically in recent years and today there is no typical HR department. Many of these changes are being made so that HR professionals can accomplish a more strategic role. Also, the recent recession forced some HR departments to accomplish more with less, and some companies have downsized the HR department to keep production-oriented people. This restructuring often resulted in a shift in who carries out each function, not the elimination of the previously identified HR functions. Some organizations continue to perform the majority of HR functions within the firm. However, as internal operations are reexamined, questions are raised, such as: Can some HR tasks be performed more efficiently by line managers or outside vendors? Can some HR tasks be centralized or eliminated altogether? Can technology improve the productivity of HR professionals? One apparent fact is that all functions within today's organizations are being scrutinized for cost cutting, including HR. All units must operate under a lean budget in this competitive global environment, and HR is no exception.

Evidence provided by The Hackett Group shows that the HR functions have been impacted more than other support functions with regard to reductions in staff and operating budgets.<sup>4</sup> In fact, the most efficient companies typically spend nearly 30 percent less per employee on HR and operate with 25 percent fewer HR employees.<sup>5</sup> Mobile HR has been a major factor in this trend, as we discuss later in the chapter. Many HR departments continue to get smaller because other units outside the HR department now perform certain functions. HR outsourcing, shared service centers, professional employer organizations, and line managers now assist in the accomplishment of many traditional HR activities. Let us first look at the role of the traditional HR professional.

### Human Resource Management Professional

Historically, the HR manager was responsible for each of the six HR functions. A **human resource management professional** is an individual who normally acts in an advisory or staff capacity, working with other managers to help them address human resource matters. Often, HR departments are created, with the central figure being the HR manager or executive. The HRM professional is primarily responsible for coordinating the management of HR to help the organization achieve its goals. Figure 1-2 displays a summary of a typical human resource professional's job along with the typical tasks performed by these professionals.

### Line Managers

All managers get things done through the efforts of others. Consequently, managers at every level naturally concern themselves with HRM, for example, making decisions about which job candidates are likely to meet the needs of company, conducting employee performance evaluations, and determining pay raise amounts. Individuals directly involved in accomplishing the primary purpose of the organization are **line managers**. As the traditional work of HR managers evolves, line managers have assumed some tasks typically done by HR professionals.<sup>6</sup> Automation has assisted greatly in this process. Managers are being assisted by management self-service, the use of software, and the corporate network to automate paper-based human resource processes that require a manager's approval, recordkeeping or input, and processes that support the manager's job. Everything from recruitment, selection, and performance appraisal to employee development has been automated to assist line managers in performing traditional HR tasks.

There is a shared responsibility between line managers and HR professionals. Frequently the line manager looks to HR for guidance in topics such as selection, training, promotion, and

**human resource professional**  
Individual who normally acts in an advisory or staff capacity, working with other professionals to help them deal with human resource matters.

**line managers**  
Individuals directly involved in accomplishing the primary purpose of the organization.

## FIGURE 1-2 Human Resource Professional Job Description

Source: National Center for O\*NET Development. 11-3121.00. O\*NET OnLine. Retrieved January 14, 2014, from <http://www.onetonline.org/link/summary/11-3121.00>

Plan, direct, or coordinate HR activities and staff of an organization.

**Sample of reported job titles:** Human Resources Manager (HR Manager), Director of Human Resources, Human Resources Director (HR Director), Employee Benefits Manager, Human Resources Vice President, Employee Relations Manager

### Tasks

- Serve as a link between management and employees by handling questions, interpreting and administering contracts and helping resolve work-related problems.
- Analyze and modify compensation and benefits policies to establish competitive programs and ensure compliance with legal requirements.
- Advise managers on organizational policy matters such as equal employment opportunity and sexual harassment, and recommend needed changes.
- Perform difficult staffing duties, including dealing with understaffing, refereeing disputes, firing employees, and administering disciplinary procedures.
- Plan and conduct new employee orientation to foster positive attitude toward organizational objectives.
- Identify staff vacancies and recruit, interview, and select applicants.
- Plan, direct, supervise, and coordinate work activities of subordinates and staff relating to employment, compensation, labor relations, and employee relations.
- Plan, organize, direct, control, or coordinate the personnel, training, or labor relations activities of an organization.
- Represent organization at personnel-related hearings and investigations.
- Administer compensation, benefits and performance management systems, and safety and recreation programs.

taking disciplinary action. The relationship between HR professionals and line managers is illustrated by the following account:

*Bill Brown, the production supervisor for Ajax Manufacturing, has just learned that one of his machine operators has resigned. He immediately calls Sandra Williams, the HR manager, and says, "Sandra, I just had a Class A machine operator quit down here. Can you find some qualified people for me to interview?" "Sure Bill," Sandra replies. "I'll send two or three down to you within the week, and you can select the one that best fits your needs."*

In this instance, both Bill and Sandra are concerned with accomplishing organizational goals, but from different perspectives. As an HR manager, Sandra identifies applicants who meet the criteria specified by Bill. Yet, Bill will make the final decision about hiring because he is responsible for the machine operators' performance. His primary responsibility is production; hers is human resources. As an HR manager, Sandra must constantly deal with the many problems related to HR that Bill and the other managers face. Her job is to help them meet the human HR needs of the entire organization.

### Human Resources Outsourcing

#### HR outsourcing (HRO)

Process of hiring external HR professionals to do the HR work that was previously done internally.

**HR outsourcing (HRO)** is the process of hiring external HR professionals to do the HR work that was previously done internally. It is estimated that HRO is a \$42 billion industry with expected future annual growth to be approximately 5 percent.<sup>7</sup> In the early days of HRO, cost savings was the primary driver in determining which activities to outsource. Today, outsourcing agreements are focusing more on quality of service and saving time, which is often more important than saving money.<sup>8</sup> Ron Gier, vice president of human capital planning and employee relations for Sprint, said, "Outsourcing is about concentrating where you are going to put your energy, where you are going to build competency as a company and where you can use a partner to perform activities that are not core to your business."<sup>9</sup> This permits HR to focus on strategic organizational issues.<sup>10</sup> As will be stressed throughout the text, strategic HR has become a major driver for HR professionals.<sup>11</sup>

*Discrete services outsourcing* involves one element of a business process or a single set of high-volume repetitive functions to be outsourced.<sup>12</sup> Benefits have often been the HR task

most likely to be outsourced. Dan Thomas, president of Trivalent Benefits Consulting Inc., said, “Benefits administration has become so complex that it really takes someone who works with it every single day to keep track of all of the different laws and changes that are going on.”<sup>13</sup> For example, a survey conducted by the ADP Institute revealed that more than half of employers (52 percent of midsized and 54 percent of large) believe that benefits administration will be more complex as a result of the Affordable Care Act. An even higher percentage of employers (57 percent of midsized and 64 percent of large) believe that health care reform will cause the time spent on benefits administration to increase.<sup>14</sup>

*Business process outsourcing (BPO)* is the transfer of the majority of HR services to a third party. Typically larger companies are involved with BPO, both as a provider and a user. A major HR outsourcer is IBM that has more than \$100 billion in revenue.<sup>15</sup> Kraft Foods Inc. and IBM signed a multiyear BPO agreement in which IBM took over workforce administration, compensation, and performance reporting for all of Kraft’s 98,000 employees spread across 72 countries.<sup>16</sup> Florida created a Web-based HR information system and outsourced administration of most HR functions for approximately 240,000 state employees and retirees. Outsourced services included recruiting, payroll, and HR administration services and benefits administration.<sup>17</sup>

### Human Resources Shared Service Centers

A **shared service center (SSC)**, also known as a center of expertise, takes routine, transaction-based activities dispersed throughout the organization and consolidates them in one place. For example, a company with 20 strategic business units might consolidate routine HR tasks and perform them in one location. Shared service centers provide an alternative to HRO and can often provide the same cost savings and customer service. Fewer HR professionals are needed when shared service centers are used, resulting in significant cost savings. The most common HR functions that use SSCs are benefits and pension administration, payroll, relocation assistance and recruitment support, global training and development, succession planning, and talent retention.

### Professional Employer Organizations

A **professional employer organization (PEO)** is a company that leases employees to other businesses. When a decision is made to use a PEO, the company releases its employees, who are then hired by the PEO. The PEO then manages the administrative needs associated with employees. It is the PEO that pays the employees’ salaries; it also pays workers’ compensation premiums, payroll-related taxes, and employee benefits. The PEO is responsible to the IRS if, for example, the payroll taxes go unpaid. The company reimburses the PEO, which typically charges a fee

#### shared service center (SSC)

A center that takes routine, transaction-based activities dispersed throughout the organization and consolidates them in one place.

#### professional employer organization (PEO)

A company that leases employees to other businesses.



## HR BLOOPERS

### Staffing Stone Consulting

Business at Stone Consulting is growing faster than Shelly Stone expected. She just signed a contract on another big project that she believes secures her future in the consulting business.

However, she has been so busy selling the firm’s services that she has put little thought into how she is going to staff the projects she has recently sold. She opened the firm more than a year ago and quickly hired five consultants and an office manager to help her get the business off the ground.

Unfortunately, one of the consultants has already left the firm after making a huge mistake that caused Shelly to lose a client. Some of the other consultants have raised some concerns with Shelly as

well. They’ve asked about pay increases and also her promise to eventually provide them with health insurance. However, she hasn’t had time to even think about these issues because she has focused her attention on finding new clients. As she looks over her project list she realizes she needs to start thinking about staffing fast. Her current team is already committed to other projects and the new projects she has secured need to get started right away. The office manager interrupts her thoughts to tell her a potential client is on the line. Excited about yet another opportunity, Shelly jumps on the call, quickly forgetting her staffing concerns.

★ If your professor has assigned this, go to [mymanagementlab.com](http://mymanagementlab.com) to complete the HR Bloopers exercise and test your application of these concepts when faced with real-world decisions.

of from 2 to 7 percent of the customer's gross wages, with percentages based on the number of leased employees. Because the PEO is the employees' legal employer it has the right to hire, fire, discipline, and reassign an employee. However, the client company maintains enough control so it can run the day-to-day operations of its business. Although PEOs have been available since the early 1980s, they have recently become a multibillion dollar industry. In fact, there is an estimated two to three million U.S. workers employed under a PEO-type arrangement and that number is certain to grow.<sup>18</sup> PEOs permit business owners to focus on their core business, whereas the PEO handles HR activities.<sup>19</sup> Companies using a PEO typically have a high level of benefits and greater HR expertise than they could possibly have had on their own.

#### OBJECTIVE 1.4

Explain how HR serves as a strategic business partner.

## Human Resources as a Strategic Business Partner

In the environment presently confronting HR, many HR professions are increasingly taking on the role of being a strategic partner with upper management.<sup>20</sup> In this role, HR professionals are able to focus on matters that are truly important to the company as a whole.<sup>21</sup> For example, increasing sales and building customer loyalty to the brand are important goals of soft drink companies such as Coca Cola and PepsiCo. Increasing sales require hiring highly dedicated and motivated sales and distribution employees. As a strategic business partner, HR helps to identify and develop the employees necessary for excellent performance, builds recruitment systems, training programs for product distribution and interactions with customers, constructs performance management, and structures compensation programs that will greatly incentivize these employees to excel. The rapidly evolving world of HR will increasingly require HR professionals to thoroughly understand all aspects of what the companies they work for do. Essentially, they must know more than just HR work.<sup>22</sup> In moving from a transactional to a strategic model, HR professionals work toward solving strategic problems in the organization. No longer is an administrative and compliance role appropriate as their primary jobs. For instance, preparing the company's affirmative action plan or administering the payroll system are compliance and administrative tasks. HR executives today need to think like the CEO to become a strategic partner in achieving organizational plans and results.<sup>23</sup> In doing so, they understand the production side of the business and help to determine the strategic capabilities of the company's workforce, both today and in the future. HR professionals need to be agile in their thinking as they adapt to the ebbs and flows of business. Therefore, HR executives are ensuring that human resources support the firm's mission.

HR professionals have changed the way they work. Working as a strategic business partner requires a much deeper and broader understanding of business issues.<sup>24</sup> What strategically should HR be doing exactly? Possible strategic tasks for HR include making workforce strategies fundamental to company strategies and goals; increasing HR's role in strategic planning, mergers, and acquisitions; developing awareness or an understanding of the business; and helping line managers achieve their goals as in the previous example of soft drink companies.

HR professionals can give the CEO and CFO a powerful understanding of the role that employees play in the organization and the way it combines with business processes to expand or shrink shareholder value. HR professionals are integrating the goals of HR with the goals of the organization and focusing on expanding its strategic and high-level corporate participation with an emphasis on adding value. In doing so, HR is demonstrating that it can produce a return on investment for its programs. It analyzes HR activities to determine whether they are maintaining acceptable profit margins. For example, HR professionals strive to develop cost-effective training strategies that boost sales revenue that far exceeds the cost of training. The CEO needs help in matters that HR professionals are qualified to handle. HR professionals are the enablers; they are the ones who should know about change and develop strategies to make it work.

A useful way to better understand *how* HR serves as a strategic business partner is to think about the use of capital for value creation. **Capital** refers to the factors that enable companies to generate income, higher company stock prices, economic value, strong positive brand identity, and reputation. There is a variety of capital that companies use to create value, including financial capital (cash) and capital equipment (state-of-the-art robotics used in manufacturing).

Employees represent a specific type of capital called human capital. **Human capital**, as defined by economists, refers to sets of collective skills, knowledge, and ability that employees can apply to create value for their employers. Companies purchase the use of human capital by

#### human capital

As defined by economists, refers to sets of collective skills, knowledge, and ability that employees can apply to create economic value for their employers.

paying employees an hourly wage, salary, or bonuses and providing benefits such as paid vacation and health insurance. Also, companies help develop human capital to their advantage by offering training programs aimed at further boosting employee productivity.

The meaning of value creation differs according to a company's mission. It is useful to think about the differences between for-profit and not-for-profit organizations. For example, Microsoft and Frito Lay are for-profit companies that strive to generate annual profits for company shareholders. These companies promote profit generation by selling quality software and quality snack products, respectively. The American Red Cross is an illustration of a not-for-profit organization that relies on charitable monetary contributions and grant money to create societal value. The people who contribute money and other resources do not seek monetary gain. Instead, they value supporting humanitarian causes such as disaster relief. The American Red Cross provides disaster relief after the occurrence of devastating events, including the typhoon in the Philippines that destroyed cities and villages in 2013.

Every organization relies on capital to create value, but the combination of capital used to create value differs from company to company. For example, Frito Lay uses state-of-the-art manufacturing equipment, and the American Red Cross does not. However, every organization shares in common the employment of individuals and the necessity of managing employees to successfully create value. Indeed, HRM is the business function of managing employees to facilitate an organization's efforts to create value.

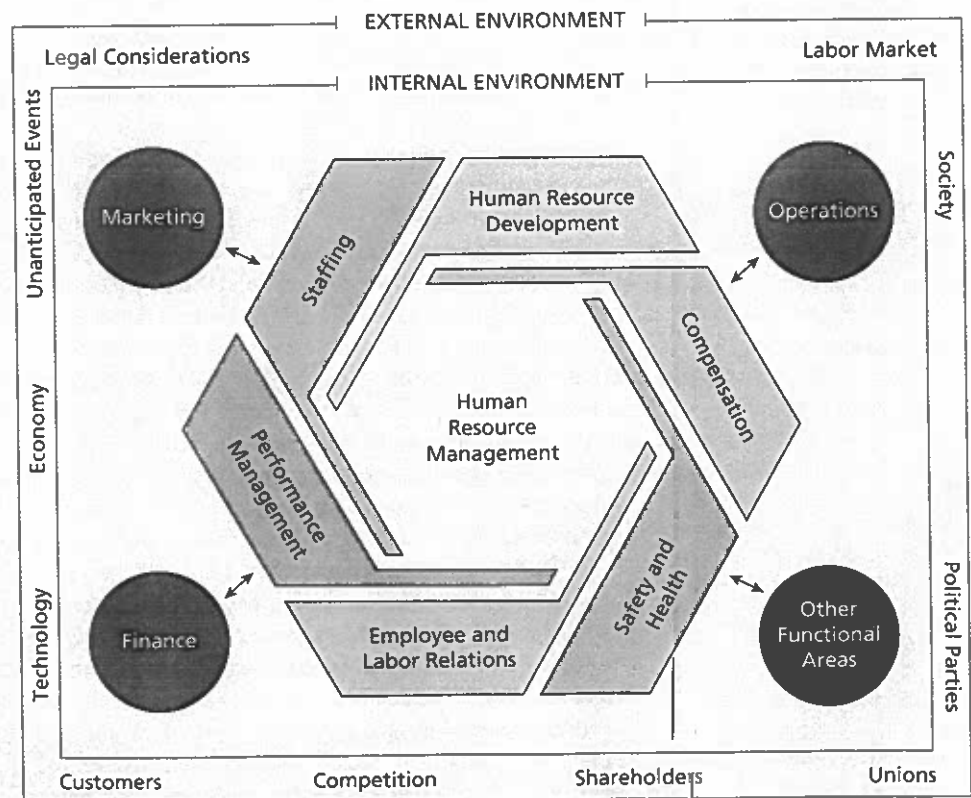
**OBJECTIVE 1.5**

Identify the elements of the dynamic HRM environment.

## Dynamic Human Resource Management Environment

Many interrelated factors affect HRM practice within and outside the organization. As illustrated in Figure 1-3, environmental factors include legal considerations, labor market, society, political parties, unions, shareholders, competition, customers, technology, the economy, and unanticipated events. Each factor, either separately or in combination with others, can create constraints or opportunities for HRM.

**FIGURE 1-3**  
Environment of Human Resource Management



## Legal Considerations

A significant external force affecting HRM relates to federal, state, and local legislation and the many court decisions interpreting this legislation. For example, the Age Discrimination in Employment Act is an example of a federal law that protects older workers from illegal discrimination. In addition, presidential executive orders have had a major impact on HRM. These legal considerations affect virtually the entire spectrum of human resource policies. Laws, court decisions, and executive orders affecting other HRM activities will be described in the appropriate chapters.

## Labor Market

Potential employees located within the geographic area from which employees are normally recruited comprise the *labor market*. The capabilities of a firm's employees determine, to a large extent, how well the organization can perform its mission. Because new employees are hired from outside the firm, the labor market is considered an important environmental factor. The labor market is always changing, and these shifts inevitably cause changes in the workforce of an organization. For example, members of the aging baby boom cohort, the largest current generation of employees, are retiring in large numbers; however, younger generations are smaller and less well-prepared to assume leadership roles because they have had much less time in the workforce to develop them.

## Society

Society may also exert pressure on HRM. The public is no longer content to accept, without question, the actions of business. To remain acceptable to the general public, a firm must accomplish its purpose while complying with societal norms.

*Ethics* is the discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation. *Corporate social responsibility (CSR)* is closely related to ethics. CSR is the implied, enforced, or felt obligation of managers, acting in their official capacity, to serve or protect the interests of groups other than themselves.<sup>25</sup> We take up these subjects in Chapter 2.

## Political Parties

Closely related to society, but not the same, are political parties. The Democratic and Republican parties are the two major political parties in the United States. These parties often have differing opinions on how HRM should be accomplished. For example, Democrats tend to favor government regulation that protects the rights of virtually all employees to receive at least a minimum wage (the Fair Labor Standards Act) and health insurance (Patient Protection Affordability and Accountability Act). Republicans, on the other hand, tend not to favor government regulation, believing that businesses should have as much flexibility as possible to operate successfully.

## Unions

Wage levels, benefits, and working conditions for millions of employees reflect decisions made jointly by unions and management. A **union** consists of employees who have joined together for the purpose of negotiating terms of employment such as wages and work hours. The United Auto Workers is an example of a large labor union. Unions are treated as an environmental factor because, essentially, they become a third party when dealing with the company.

### union

Consists of employees who have joined together for the purpose of negotiating terms of employment such as wages and work hours.

## Shareholders

The owners of a corporation are called **shareholders**. Because shareholders, or stockholders, have invested money in the firm, they may at times challenge programs considered by management to be beneficial to the organization. Stockholders are wielding increasing influence, and management may be forced to justify the merits of a particular program in terms of how it will affect future projects, costs, revenues, profits, and even benefits to society as a whole.<sup>26</sup> Considerable pressure has recently been exerted by shareholders and lawmakers to control the salaries of corporate executives as we shall see in the discussion of the Dodd-Frank Act in Chapters 2 and 9.<sup>27</sup>

### shareholders

Owners of a corporation.

### Competition

Firms may face intense global competition for both their product or service and labor markets. Unless an organization is in the unusual position of monopolizing the market it serves, other firms will be producing similar products or services. A firm must also maintain a supply of competent employees if it is to succeed, grow, and prosper. But other organizations are also striving for that same objective. A firm's major task is to ensure that it obtains and retains a sufficient number of employees in various career fields to allow it to compete effectively. A bidding war often results when competitors attempt to fill certain critical positions in their firms. Even in a depressed economy, firms find creative ways to recruit and retain such employees. For example, a company may offer a signing bonus (that is, a one-time monetary payment) to offset lower pay.

### Customers

The people who actually use a firm's goods and services also are part of its external environment. Because sales are crucial to the firm's survival, management has the task of ensuring that its employment practices provide excellent customer support service. Customers constantly demand high-quality products and after-purchase service. Therefore, a firm's workforce should be capable of providing top-quality goods and after-sale customer support. These conditions relate directly to the skills, qualifications, and motivations of the organization's employees.

### HR Technology

The rate of technological change is staggering. The development of technology has created new roles for HR professionals but also places additional pressures on them to keep abreast of the technology. We will briefly review three applications: human resource information systems, cloud computing, and social media.

With the increased technology sophistication has come the ability to design a more useful **human resource information system (HRIS)**, which is any organized approach for obtaining relevant and timely information on which to base HR decisions. The HRIS brings under one encompassing technology system many human resource activities. Think of an HRIS as an umbrella for merging the various subsystems discussed throughout this text. Today, mainstay HR responsibilities such as planning, recruitment, selection, oversight of legal and regulatory compliance, benefits administration, and the safeguarding of confidential employee information cannot be carried out effectively without an HRIS. Throughout the text, topics will be highlighted that are part of an HRIS. In addition, all of the HRIS applications may be accessed through cloud computing.

A rapidly developing trend is the increased mobility of tasks performed by HR professionals.<sup>28</sup> A major factor contributing to HR mobility is *cloud computing*, a means of providing software and data via the Internet. Cloud computing and the use of mobile devices are changing the way HR work is performed, and the change is moving at an amazing pace.<sup>29</sup> With the cloud there is no more expensive, capital-intensive hardware and infrastructure and no more expensive, time-consuming, staff-intensive upgrades.<sup>30</sup> Cloud computing permits businesses to buy and use what they need, when they need it. It allows large organizations to move away from managing their own computer centers and focus on the core competencies of the firm. Cloud users have the ability to access the application securely from anywhere in the world.<sup>31</sup> HR professionals can be virtually anywhere and access the cloud, all through any standard Web. HR departments are leveraging the increasing popularity of social media, including LinkedIn, Facebook, YouTube, and Twitter. In the 2011 Achievers Social HR survey, respondents expressed the belief that social networking is an important tool for recruiting, retaining, and managing employees. The majority of respondents, 81.9 percent, believe that social networks will be used as an HR tool in their organizations within the next 12 months, and the low cost associated with using social media is a positive contributing factor.<sup>32</sup> There are three main applications of social media. First, companies may engage in targeted recruiting and sourcing passive and active applicants. Second, companies may use social media to promote knowledge sharing, training and development, and reinforcing identification with the organization and promoting the brand.

#### human resource information system (HRIS)

Any organized approach for obtaining relevant and timely information on which to base HR decisions.

## Economy

The economy of the nation and world is a major environmental factor affecting HRM. As a generalization, when the economy is booming, it is more difficult to recruit qualified workers. On the other hand, when a downturn is experienced, more applicants are typically available. To complicate this situation even further, one segment of the country may be experiencing an economic downturn, another a slow recovery, and another a boom. A major challenge facing HR is working within this dynamic, ever-changing economic environment because it impacts every aspect of HRM.<sup>33</sup>

## Unanticipated Events

Unanticipated events are occurrences in the environment that cannot be foreseen. The *Deepwater Horizon* oil spill off the Gulf Coast in 2010 caused major modifications in the performance of many HR functions. Every disaster—whether human-made or natural—likely requires a tremendous amount of adjustment with regard to HRM. For example, after Hurricane Katrina, Tulane University reduced the number of employees. On a global perspective, think of the many different ways HR was affected by the tsunami in Japan. Japanese automobile plants in the United States were forced to temporarily shut down because of a lack of parts produced in Japan. Other recent disasters, such as heat waves, earthquakes, tornadoes, floods, and fires, have created their own type of difficulty.

### OBJECTIVE 1.6

Explain the importance of corporate culture and human resource management.

#### corporate culture

System of shared values, beliefs, and habits within an organization that interacts with the formal structure to produce behavioral norms.

## Corporate Culture and Human Resource Management

As an internal environment factor affecting HRM, corporate culture refers to the firm's social and psychological climate. **Corporate culture** is defined as the system of shared values, beliefs, and habits within an organization that interacts with the formal structure to produce behavioral norms.

Culture gives people a sense of how to behave and what they ought to be doing. Each individual gradually forms such perceptions over a period of time as the person performs assigned activities under the general guidance of a superior and a set of organizational policies. The culture existing within a firm influences the employees' degree of satisfaction with the job as well as the level and quality of their performance. The assessment of how desirable the organization's culture is may differ for each employee. One person may perceive the environment as bad, and another may see the same environment as positive. An employee may actually leave an organization in the hope of finding a more compatible culture. Max Caldwell, a managing director at Towers Watson, said, "Maybe the best definition of company culture is what everyone does when no one is looking."<sup>34</sup> Topics related to corporate culture are presented throughout this text. Some corporate culture topics include the following:

- *Employer branding* is the firm's corporate image or culture created to attract and retain the type of employees the firm is seeking. It is what the company stands for in the public eye.
- *Corporate culture* is a driving force when discussing business ethics and corporate social responsibility.
- *Diversity management* is about pursuing an inclusive corporate culture in which newcomers feel welcome and everyone sees the value of his or her job.
- *Organizational fit* refers to management's perception of the degree to which the prospective employee will fit in with the firm's culture or value system. A good Web site should provide a feeling of the kind of corporate culture that exists within the company.
- *New hire orientation* reflects the firm's corporate culture by showing in effect, "How we do things around here."
- *Talent management* is a strategic endeavor to optimize the use of employees and enables an organization to drive short- and long-term results by building culture, engagement, capability, and capacity through integrated talent acquisition, development, and deployment processes that are aligned to business goals.

**country's culture**

Set of values, symbols, beliefs, language, and norms that guide human resource behavior within the country.

**OBJECTIVE 1.7**

Describe the importance of employer branding.

**employer branding**

Firm's corporate image or culture created to attract and retain the type of employees the firm is seeking.

- *Organization development* is a major means of achieving change in the corporate culture.
- Anything that the company provides an employee is included in compensation, from pay and benefits to the organization's culture and environment.
- A corporate culture that does not consider the needs of employees as individuals makes the firm ripe for unionization.
- Retaining the best employees often rests with the corporate culture that exists within the organization.
- Accident rates decline when the corporate culture encourages workers consciously or subconsciously to think about safety.
- A **country's culture** is the set of values, symbols, beliefs, languages, and norms that guide human behavior within the country. Cultural differences are often the biggest barrier to doing business in the world market. Many of the global topics discussed throughout your text are influenced by the issue of corporate culture or country culture.

## Employer Branding

Wayne Mondy shares a memory about his mother, which bears directly on this subject. His mother would always buy a certain brand of canned fruit even though it was more expensive. The brand name itself caused her to buy a product that although higher priced was probably the same or similar quality as less expensive brands. The company had created a positive image that made her want to use the product. As with the canned fruit, companies want a brand that will entice individuals to join and remain with the firm. Employer branding is an extension of product or business branding. **Employer branding** is the firm's corporate image or culture created to attract and retain the type of employees the firm is seeking. It is what the company stands for in the public eye.<sup>35</sup> As such, the focus on employer branding has become increasingly important for organizations.<sup>36</sup>

Jeffrey St. Amour, national practice leader for PricewaterhouseCoopers' HR Services strategic communication group said, "They're both trying to create the same thing, which is product loyalty or a feeling that this is a high-quality company."<sup>37</sup> Employer branding has become a major recruitment and retention strategy and everyone in the company works to promote the image of the firm.<sup>38</sup>

Brands imply what employees will get from working there and why working for the company is a career and not just a job. Organizations such as Southwest Airlines believe that their employment brand is a key strategic advantage and sees it as a key contributor to its success.<sup>39</sup> As more Gen Yers enter the workforce, firms may need to alter their brand to attract and retain these young people who view having fun in an engaging work environment as important as a good salary. A well-paying job that is boring will not keep them for long. They want an organization that is "cool."<sup>40</sup> Gen Yers tend to be choosier and seek companies that match their personal standards as well as identity.<sup>41</sup>

An employer brand embodies the values and standards that guide people's behavior. Through employer branding, people get to know what the company stands for, the people it hires, the fit between jobs and people, and the results it recognizes and rewards. Every company has a brand, which could be the company of choice or one of last resort. A robust employment brand attracts people and makes them want to stay. In fact, most workers want to belong to an organization that embraces the ideas and principles they share.<sup>42</sup> Employer branding has become a driving force to engage and retain the firm's most valuable employees.<sup>43</sup> As the economy moves out of the recent recession and firms begin hiring again, employer branding is attracting more attention.

Achieving acknowledgment by an external source is a good way for a brand to be recognized. Being listed on *Fortune* magazine's 100 Best Companies to Work For is so desirable that some organizations try to change their culture and philosophies to get on the list. Think about how being on the following lists might assist in a company's recruitment and retention programs:

- *Working Mother* list of 100 best companies
- *Fortune* magazine list of 100 fastest-growing companies in the United States
- *Money* magazine list of 100 best places to live

- *Business Ethics* magazine list of 100 Best Corporate Citizens
- *Computerworld* list of Best Places to Work
- *Black Enterprise* list of Best Companies for Diversity

As the previous discussion indicates, many companies embrace creating and maintaining a positive work culture, and they recognize it is “good” business because they are better able to recruit and retain valued employees. A company named Patagonia also recognizes the benefits of a positive work culture from the perspective of employees. The following Watch It video describes Patagonia’s efforts to maintain a positive work culture that emphasizes a culture of personal responsibility, flexibility, and development.

### ★ Watch It 1

If your instructor has assigned this, go to MyManagementLab to watch a video titled Patagonia: Human Resource Management and respond to questions.

### OBJECTIVE 1.8

Discuss human resource management issues for small businesses.



#### HR Web Wisdom

*U.S. Small Business Administration*

<http://www.sba.gov/>

Small business is the most powerful engine of opportunity and economic growth in the United States. SBA offers a variety of programs and support services to help owners navigate the issues they face with initial applications and resources to help after they open for business. Virtually all HR topics can be addressed from a small business standpoint.

### OBJECTIVE 1.9

Identify ways that country culture influences global business.

#### country’s culture

Set of values, symbols, beliefs, language, and norms that guide human resource behavior within the country.

## Human Resource Management in Small Businesses

The Small Business Administration (SBA) defines a small business as one that is independently owned and operated, is organized for profit, and is not dominant in its field. More than 99 percent of the businesses in the United States are classified as small businesses and they are responsible for at least half of the private sector employees.<sup>44</sup> The discussion throughout this text has historically focused primarily on how HR is practiced with major corporations. However, today, many college graduates obtain jobs in small businesses. In fact, growth of small business is often a primary driver for the economy. Therefore, the practice of HR as it is conducted in small businesses is discussed at various times in your text.

Typically the same HR functions previously identified must be accomplished by small business, but the manner in which they are accomplished may be altered.<sup>45</sup> Small businesses often do not have a formal HR unit or an HRM specialist. Rather, line managers often handle the HR functions. The focus of their activities is generally on hiring and retaining capable employees. Some aspects of HR functions may actually be more significant in smaller firms than in larger ones. For example, a staffing mistake in hiring an incompetent employee who alienates customers may cause the business to fail. In a larger firm, such an error might be much less harmful. As the business grows, the need for a more sophisticated HR function usually is needed.<sup>46</sup> This move typically occurs at the 50-employee level when concerns about compliance with labor laws often begin.<sup>47</sup> Also, new small businesses are faced with a host of federal and state government regulatory requirements, tax laws, and compensation demands.

### ★ Watch It 2

If your instructor has assigned this, go to MyManagementLab to watch a video titled Blackbird Guitars: Managing Human Resources in Entrepreneurial Firms and to respond to questions.

## Country Culture and Global Business

A **country’s culture** is the set of values, symbols, beliefs, languages, and norms that guide human behavior within the country. It is learned behavior that develops as individuals grow from childhood to adulthood. As one goes from one side of this country to the other, a wide range of cultural differences will be experienced. The same can be said in traveling from north to south. Then think about the cultural differences that exist in going from this country to another. Americans’ use of colloquialisms often creates cultural barriers. For example the use of the illustration, “Which comes first, the chicken or the egg” is a U.S. example that suggests that everyone understands its circular argument. However, residents of other countries may not understand the meaning, which creates a breakdown in communication.<sup>48</sup>

Even though the language may be the same, such as is the case with the United States and the United Kingdom, major cultural differences exist. Dean Foster, a New York–based consultant on intercultural business issues said, “The United Kingdom really is a foreign country—and HR departments that ignore that fact are at their peril. It’s that expectation of similarity that throws everyone off.”<sup>49</sup> A businessperson who travels from Switzerland to Italy goes from a country where meetings tend to be highly structured and expected to start on time to one where meetings can be more informal and punctuality is less important.<sup>50</sup> Many believe that China has the most different culture for Americans to deal with.<sup>51</sup>

Throughout this text, cultural differences between countries will be identified as a major factor influencing global business. This borderless world adds dramatically to the difficulty of managing employees. Cultural differences reveal themselves in everything from the workplace environments to differences in the concept of time, space, and social interaction.<sup>52</sup> Companies operating in the global environment recognize that national cultures differ and that such differences cannot be ignored.<sup>53</sup>

Chrysler Corporation employees have gone through major cultural changes in the last several years.<sup>54</sup> The misfortune cost Daimler nearly \$36 billion over a decade, which amounted to a loss of almost \$10 million per day for 10 years.<sup>55</sup> First, they were merged into a German firm, Daimler-Benz, then they were sold back to a U.S. company, and they are now merged into Fiat, an Italian firm. Each ownership change brought new cultural rules with which employees had to deal. Certainly the Germans and Italians have two distinct but different cultures.<sup>56</sup> InBev, based in Leuven, Belgium, purchased Anheuser-Busch several years ago, making it the leading global brewer and one of the world’s top five consumer products companies. Merging two large corporate cultures after an acquisition is often not easy. In fact, InBev’s purchase of Anheuser-Busch was particularly difficult, even two-and-a-half years after the \$52 billion deal closed.<sup>57</sup>

The cultural norms of Japan promote loyalty and teamwork. The work culture there is one in which honesty and hard work are prized assets. In Japan, most managers tend to remain with the same company for life. In the United States, senior executives often change companies, but the Japanese believe strongly that leaving a job is to be avoided out of respect for the business team.<sup>58</sup> In Japan, if a boss gives detailed instructions to a subordinate, it is like saying the person is incompetent.<sup>59</sup>

Cultural misunderstandings are common, but they can be hazards to executives managing global workforces. Samuel Berner, head of HR of the private banking Asia Pacific division in Singapore for Credit Suisse AG said, “Things that are perfectly natural in one culture offend in another.”<sup>60</sup> Eric Rozenberg, CMM, CMP, president, Ince&Tive, of Brussels, Belgium, states, “Even though people are aware that there are cultural differences between various nationalities, they’re still uncomfortable with it and are afraid of making mistakes.”<sup>61</sup> Cultural barriers are not easily overcome.

#### executive

A top-level manager who reports directly to a corporation’s chief executive officer or to the head of a major division.

#### generalist

A person who may be an executive and performs tasks in a variety of HR-related areas.

### OBJECTIVE 1.10

Describe the human resource management profession.

#### specialist

An individual who may be a human resource executive, a human resource manager, or a nonmanager, and who is typically concerned with only one of the six functional areas of human resource management.

#### profession

Vocation characterized by the existence of a common body of knowledge and a procedure for certifying members.

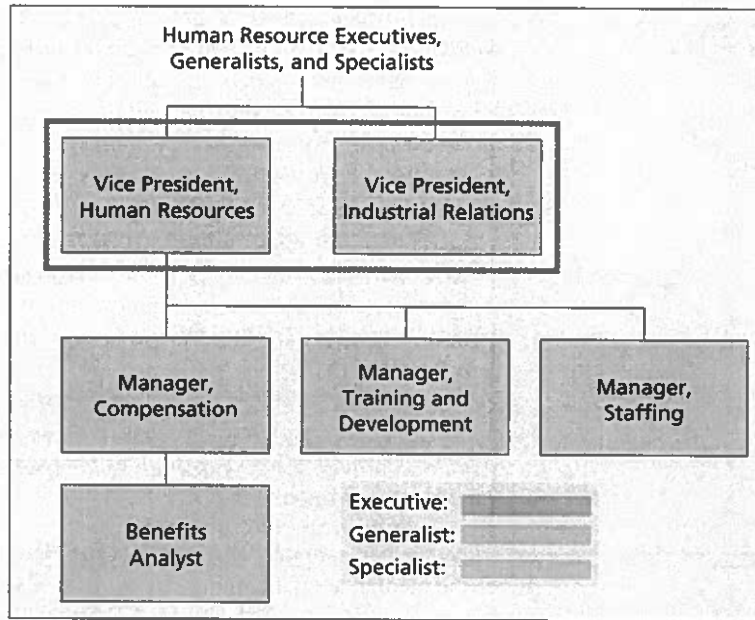
## Human Resource Management Profession

Various designations are used within the HR profession; among these are HR executives, generalists, and specialists. An **executive** is a top-level manager who reports directly to the corporation’s CEO or to the head of a major division. A **generalist**, who may be an executive, performs tasks in a variety of HR-related areas. The generalist is involved in several, or all, of the six HRM functional areas. A **specialist** may be an HR executive, manager, or nonmanager who is typically concerned with only one of the six functional areas of HRM. Figure 1-4 helps clarify these distinctions.

The vice president of industrial relations, shown in Figure 1-4, specializes primarily in union-related matters. This person is both an executive and a specialist. An HR vice president is both an executive and a generalist, having responsibility for a wide variety of functions. The compensation manager is a specialist, as is the benefits analyst. Whereas a position level in the organization identifies an executive, the breadth of such positions distinguishes generalists and specialists.

A **profession** is a vocation characterized by the existence of a common body of knowledge and a procedure for certifying members. Performance standards are established by members of the profession rather than by outsiders; that is, the profession is self-regulated. Most professions have effective representative organizations that permit members to exchange ideas of mutual concern. These characteristics apply to the field of HR, and several well-known organizations se

**FIGURE 1-4**  
**Human Resource Executives, Generalists, and Specialists**



**HR Web Wisdom**

Human Resource Certification Institute (HRCI)

<http://www.hrci.org>

The Professional Certification Program in HR Management is for individuals seeking to expand their formal HR training

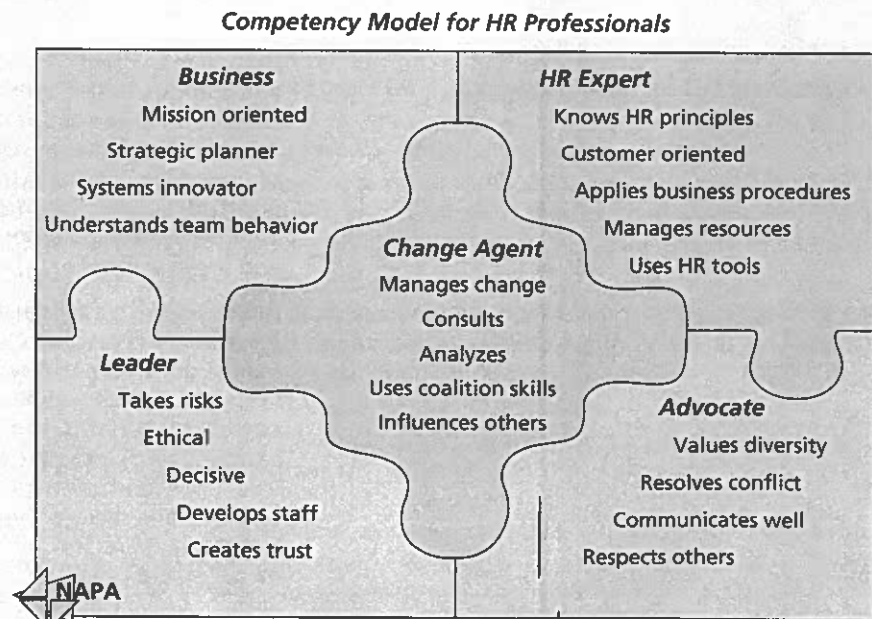
the profession. Among the more prominent is the Society for Human Resource Management, the Human Resource Certification Institute (<http://www.hrci.org>), the American Society for Training and Development (<http://www.astd.org>), and WorldatWork (<http://www.worldatwork.org>). The HR profession is based on a variety of competencies. Figure 1-5 lists five competencies and brief descriptions. We will see throughout this book that effective HR professionals demonstrate these competencies. For example, we will look at the advocate competency, particularly, in Chapter 2 as it applies to ethics, CSR, and sustainability. The HR Expert competency includes all of the knowledge we have already studied and to come in the remainder of this book, for example, staffing, training, and employee relations.

Opportunities for employment in the HRM profession are growing. According to the U.S. Bureau of Labor Statistics:

*Employment of human resources managers is projected to grow 13 percent from 2012 to 2022, about as fast as the average for all occupations.*

**FIGURE 1-5**  
**Model of Human Resources Competencies**

Source: U.S. Office of Personnel Management. Online: <http://archive.opm.gov/studies/transapp.pdf>. Accessed February 1, 2014.



Employment growth largely depends on the performance and growth of individual companies. However, as new companies form and organizations expand their operations, they will need more human resources managers to oversee and administer their programs.

Managers will also be needed to ensure that firms adhere to changing, complex employment laws regarding occupational safety and health, equal employment opportunity, healthcare, wages, and retirement plans. For example, adoption of the Affordable Care Act may spur the need to hire more managers to help implement this program.

Although job opportunities are expected to vary based on the staffing needs of individual companies, very strong competition can be expected for most positions.

Job opportunities should be best in the management of companies and enterprises industry as organizations continue to use outside firms to assist with some of their human resources functions.

Candidates with certification or a master's degree—particularly those with a concentration in human resources management—should have the best job prospects. Those with a solid background in human resources programs, policies, and employment law should also have better job opportunities.<sup>62</sup>

The median annual compensation for HR managers was \$99,720, which is nearly three times the median annual earnings for all jobs. Executive and Human Resource Specialist median salaries ranged between \$55,640 for HR Specialists and Labor Relations Specialists to \$101,650 for top executive positions in the profession. Figure 1-6 lists the median annual salaries for various jobs in the HRM profession. The salary levels vary on a number factors, including relevant work

**FIGURE 1-6**  
**HR Professional Annual Salaries**

Source: U.S. Bureau of Labor Statistics, "Human Resources Managers," *Occupational Outlook Handbook, 2014–15 Edition*,  
Online: <http://www.bls.gov/ooh/management/human-resources-managers.htm>. Accessed January 14, 2014.

Occupation	Job Duties	2012 Median Pay
Compensation and Benefits Managers	Compensation managers plan, direct, and coordinate how much an organization pays its employees and how employees are paid. Benefits managers plan, direct, and coordinate retirement plans, health insurance, and other benefits that an organization offers its employees.	\$95,250
Compensation, Benefits, and Job Analysis Specialists	Compensation, benefits, and job analysis specialists help conduct an organization's compensation and benefits programs. They also evaluate job positions to determine details such as classification and salary.	\$59,090
Human Resources Managers	Human resources managers plan, direct, and coordinate the administrative functions of an organization. They oversee the recruiting, interviewing, and hiring of new staff; consult with top executives on strategic planning; and serve as a link between an organization's management and its employees.	\$99,720
Human Resources Specialists and Labor Relations Specialists	Human resources specialists recruit, screen, interview, and place workers. They often handle other human resources work, such as those related to employee relations, payroll and benefits, and training. Labor relations specialists interpret and administer labor contracts regarding issues such as wages and salaries, employee welfare, healthcare, pensions, and union and management practices.	\$55,640

**FIGURE 1-6**  
Continued

Occupation	Job Duties	2012 Median Pay
Instructional Coordinators	Instructional coordinators oversee school curriculums and teaching standards. They develop instructional material, coordinate its implementation with teachers and principals, and assess its effectiveness.	\$60,050
Top Executives	Top executives devise strategies and policies to ensure that an organization meets its goals. They plan, direct, and coordinate operational activities of companies and organizations.	\$101,650
Training and Development Specialists	Training and development specialists help plan, conduct, and administer programs that train employees and improve their skills and knowledge.	\$55,930

### ★ Try It!

If your instructor has assigned this, go to MyManagementLab to complete the Human Resource Management simulation and test your application of these concepts when faced with real world decisions.

experience, educational credentials, and industry. For example, median annual salaries for HR managers were substantially higher in the management of companies and enterprises industry (\$112,550) than in the health care and social assistance industry (\$85,870).

## Scope of This Book

Effective HRM is crucial to the success of every organization. To be effective, managers must understand and competently practice HRM. This book was designed to give you the following:

- An insight into the role of strategic HRM in today's organizations and the strategic role of HR functions
- An appreciation of the value of employees as human capital
- An awareness of the importance of business ethics and corporate social responsibility
- An understanding of job analysis, HR planning, recruitment, and selection
- An awareness of the importance of HR development, including training and developing, for employees at all levels
- An understanding of performance appraisal and its role in performance management
- An appreciation of how compensation and employee benefits programs are formulated and administered
- An opportunity to understand employee and labor relations
- An understanding of safety and health factors as they affect the firm's profitability
- An appreciation of the global impact on HRM

This book is organized in six parts, as shown in Figure 1-7; combined, they provide a comprehensive view of HRM. As you read it, hopefully you will be stimulated to increase your knowledge in this rapidly changing and challenging field.

**FIGURE 1-7**  
**Organization of This Book**

<b>HUMAN RESOURCE MANAGEMENT, 14TH EDITION</b>	
<b>PART ONE. SETTING THE STAGE</b>	
Chapter 1:	Human Resource Management: An Overview
Chapter 2:	Business Ethics and Corporate Social Responsibility
Chapter 3:	Equal Employment Opportunity, Affirmative Action, and Workforce Diversity
<b>PART TWO. STAFFING</b>	
Chapter 4:	Strategic Planning, Human Resource Planning, and Job Analysis
Chapter 5:	Recruitment
Chapter 6:	Selection
<b>PART THREE. PERFORMANCE MANAGEMENT AND TRAINING</b>	
Chapter 7:	Performance Management and Appraisal
Chapter 8:	Training and Development
<b>PART FOUR. COMPENSATION</b>	
Chapter 9:	Direct Financial Compensation (Core Compensation)
Chapter 10:	Indirect Financial Compensation (Employee Benefits)
<b>PART FIVE. LABOR RELATIONS, EMPLOYEE RELATIONS, SAFETY AND HEALTH</b>	
Chapter 11:	Labor Unions and Collective Bargaining
Chapter 12:	Internal Employee Relations
Chapter 13:	Employee Safety, Health, and Wellness
<b>PART SIX. OPERATING IN A GLOBAL ENVIRONMENT</b>	
Chapter 14:	Global Human Resource Management

## Summary

- 1. Define human resource management.** *Human resource management (HRM)* is the utilization of employees to achieve organizational objectives. It is the business function of managing employees. HRM professionals embrace the idea that employees are essential to the success of organizations, and as such, they view employees as assets or human capital.
- 2. Identify the HRM functions.** There are six functional areas associated with effective HRM: staffing, HR development, performance management, compensation, safety and health, and employee and labor relations.
- 3. Explain who performs HRM activities.** *Human resource managers* are individuals who normally act in an advisory or staff capacity, working with other managers to help them deal with human resource matters.  
*HR outsourcing* is the process of hiring an external provider to do the work that was previously done internally.  
*HR shared service centers* take routine, transaction-based activities that are dispersed throughout the organization and consolidate them in one place.

A *professional employer organization* is a company that leases employees to other businesses.

*Line managers* in certain firms are being used more frequently than before to deliver HR services.

- 4. Explain how human resources (HR) serves as a strategic business partner.** Working as a strategic business partner requires a much deeper and broader understanding of business issues. Possible strategic tasks for HR include making workforce strategies fundamental to company strategies and goals; increasing HR's role in strategic planning, mergers, and acquisitions; developing awareness or an understanding of the business; and helping line managers achieve their goals. Also, as a strategic business partner, HR helps to identify and develop the human capital necessary for excellent performance, builds recruitment systems, training programs for product distribution and interactions with customers, constructs performance management, and structures compensation programs that will greatly incentivize these employees to excel. In the end, if HR is to be a strategic partner, HR executives must

work with top management in achieving concrete plans and results.

5. **Identify the elements of the dynamic HRM environment.** Factors include legal considerations, the labor market, society, political parties, unions, shareholders, competition, customers, technology, economy, and unanticipated events.
6. **Explain the importance of corporate culture and HRM.** *Corporate culture* is the system of shared values, beliefs, and habits within an organization that interacts with the formal structure to produce behavioral norms. Culture gives people a sense of how to behave and what they ought to be doing. It often affects job performance throughout the organization and consequently affects profitability.
7. **Describe the importance of employer branding.** *Employer branding* is the firm's corporate image or culture created to attract and retain the type of employees the firm is seeking. It is what the company stands for in the public eye.
8. **Discuss HRM issues for small businesses.** Often the same HR functions previously identified must be accomplished by small business, but the manner in which they are accomplished may be altered. Small businesses often do not have a formal HR unit or HRM

specialists. Rather, other line managers in the company handle HR functions.

9. **Identify ways that country culture influences global business.** Cultural differences reveal themselves in everything from the workplace environments to differences in the concepts of time, space, and social interaction. Cultural differences are often the biggest barrier to doing business in the world market.
  10. **Describe the HRM profession.** A *profession* is a vocation characterized by the existence of a common body of knowledge and a procedure for certifying members.
    - Executives* are top-level managers who report directly to the corporation's CEO or the head of a major division.
    - Generalists* (who are often executives) are persons who perform tasks in a wide variety of HR-related areas.
    - A *specialist* may be an HR executive, manager, or nonmanager who typically is concerned with only one of the functional areas of HRM.
- Several well-known organizations serve the profession. Among the more prominent are the Society for Human Resource Management (SHRM), the Human Resource Certification Institute (HRCI), the American Society for Training and Development (ASTD), and WorldatWork.

## Key Terms

human resource management (HRM) 3	human resource management professional 6	shareholders 11
staffing 4	line managers 6	human resource information system (HRIS) 12
performance management 4	HR outsourcing (HRO) 7	corporate culture 13
human resource development (HRD) 4	shared service center (SSC) 8	country's culture 14
direct financial compensation 5	professional employer organization (PEO) 8	employer branding 14
indirect financial compensation (benefits) 5	capital 9	executive 16
nonfinancial compensation 5	human capital 9	generalist 16
safety 5	union 11	specialist 16
health 5		profession 16

## MyManagementLab®

Go to [mymanagementlab.com](http://mymanagementlab.com) to complete the problems marked with this icon .

## Exercises

- I-1. Employer branding was discussed in this chapter. On a scale of 1 (Poor) to 5 (Excellent), how valuable are the following brands? Why do you rate them low or high?
  - a. Bank of America
  - b. McDonald's

- c. BP Global
  - d. Walmart
- I-2. How might being on the following lists assist in a company's recruitment and retention programs?
  - a. *Fortune* magazine's 100 Best Companies
  - b. *Working Mother* list of 100 best companies

- c. *Fortune* magazine list of 100 fastest-growing companies in the United States
  - d. *Money* magazine list of 100 best places to live
  - e. *Business Ethics* magazine list of 100 Best Corporate Citizens
  - f. *Computerworld* list of Best Places to Work
  - g. *Black Enterprise* list of Best Companies for Diversity.
- ★1-3. Review the employment classified ads in the *Wall Street Journal*, *HR Magazine*, and a Sunday edition of a large city newspaper. Make a list of the types of HRM jobs, the companies offering employment, and the qualifications needed to obtain the positions. What is your basic conclusion after this review in terms of the availability of HRM positions and the necessary qualifications for obtaining a position?
- 1-4. The HR functions are highly interrelated. How would a change in one of the following affect the other HR functions?
- a. Paying the lowest wages in the industry
  - b. Being recognized as an industry leader in providing continuous training and development
  - c. Having a reputation for providing a work environment that is unhealthy
- 1-5. Corporate culture is discussed throughout your text as having a significant impact on HR tasks. How might the following cultures affect the six HR functions?
- a. Employees generally believe that this is a fun place to work
  - b. Management generally has the attitude that “It’s my way. Don’t question me.”
  - c. Rewards are available for productive, hardworking employees

## Questions for Review

- ★1-6. Define *human resource management*. What HRM functions must be performed regardless of the organization’s size?
- ★1-7. What are the environmental factors that affect HRM? Describe each.
- ★1-8. How might mobile HR affect the various HR functions?
- 1-9. Define *corporate culture*. Explain why corporate culture is a major internal environment factor.
- 1-10. This chapter describes HR’s changing role in business. Describe each component that is involved in HRM.
- 1-11. According to the Small Business Administration, what does a small business need to do before hiring the first employee?
- ★1-12. What are the various designations associated with HRM?
- 1-13. What has been the evolution of HRM?
- 1-14. Explain the differences between *capital* and *human capital*.
- 1-15. Define *profession*. Do you believe that the field of HRM is a profession? Explain your answer.

## INCIDENT 1 HR after a Disaster

After Hurricane Rita struck Lake Charles in southwest Louisiana, many businesses wondered if they would ever return to their former selves. Massive destruction was everywhere. Lake Charles, known for its large and beautiful oak and pine trees, now had the job of removing those downed trees from homes, businesses, and lots. You could see for miles through what used to be thick forests. Huge trucks designed for removing massive tree trunks were everywhere. While driving down a street, downed trees could be seen stacked two stories high, waiting to be picked up. The town grew rapidly in size because of the increased number of repair crews working on recovery operations. The noise created by their chain saws could be heard from daylight until dark. The sounds of hammers were everywhere as homeowners scrambled to get their roofs repaired. Often repair crews would just find an empty lot and set up tents for the night because all motels were full. Traffic was unbelievably slow, and it appeared as if everyone was attempting to get on the road at the same time. Just driving from Point A to Point B could often be quite an adventure. As might be expected in conditions such as these, accidents were numerous. Often police did not have the resources to ticket every fender bender, so unless there were injuries, insurance cards were exchanged and the police went on to the next accident.

Months after Hurricane Rita struck, large and small businesses were still frantically trying to find workers so they could start up again. It appeared that every business in the town had a “Help Wanted” sign out front. Individuals who wanted a job could get one and could command

a premium salary. Walmart, known for remaining open 24 hours a day could only stay open on an abbreviated schedule. Employers often had to bus employees from locations not affected by the hurricane each morning and returned them at night because there were not enough workers available in the local area. Restaurants that normally remained open late into the evening closed at 6:00 p.m., if they opened at all. Compensation scales that were in use before the hurricane had to be thrown out and new plans implemented. Minimum-wage jobs were nonexistent. Employees who earned minimum wage before the storm could now command \$15 per hour just for being a flagger (a person who directs traffic). Fast-food restaurants that normally paid minimum wage now paid \$10 or \$11. Burger King was even offering a \$1,500 bonus for entry-level workers. Upscale restaurants that normally paid minimum wage plus tips now paid premium rate plus tips. Restaurants that remained open often had much younger staff, and it was evident that the managers and assistant managers were working overtime to train these new workers. Restaurant patrons had to learn patience because there would be mistakes by the eager, but largely untrained workers.

### Questions

- 1-16. Which environment factor(s) did Hurricane Rita affect? Discuss.
- 1-17. How were the HR functions affected by Hurricane Rita?
- 1-18. Do you believe the HR situations described regarding Hurricane Rita would be typical in a disaster? Explain.

**INCIDENT 2**

As the largest employer in Ouachita County, Arkansas, International Forest Products (IFP) Company is an important part of the local economy. Ouachita County is a mostly rural area in south central Arkansas. It employs almost 10 percent of the local workforce, and few alternative job opportunities are available in the area.

Scott Wheeler, the HR director at IFP, tells of a difficult decision he once had to make. According to Scott, everything was going along pretty well despite the economic recession, but he knew that sooner or later the company would be affected. "I got the word at a private meeting with the president, Janet Deason, that we would have to cut the workforce by 30 percent on a crash basis. I was to get back to her within a week with a suggested plan. I knew that my plan would not be the final one because the move was so major, but I knew that Ms. Deason was depending on me to provide at least a workable approach.

"First, I thought about how the union would react. Certainly, workers would have to be let go in order of seniority. The union would try to protect as many jobs as possible. I also knew that all of management's actions during this period would be intensely scrutinized. We had to make sure that we had our act together.

"Then there was the impact on the surrounding community to consider. The economy of Ouachita County had not been in good shape recently. Aside from the influence on the individual workers who were laid off, I knew that our cutbacks would further depress the area's economy. I knew that there would be a number of government officials and civic leaders who would want to know how we were trying to minimize the harm done to the public in the area.

"We really had no choice but to make the cuts, I believed. First of all, I had no choice because Ms. Deason said we were going to do it. Also, I had recently read a news account that one of our competitors,

**Downsizing**

Johns Manville Corporation in West Monroe, Louisiana, had laid off several hundred workers in a cost-cutting move. To keep our sales from being further depressed, we had to ensure that our costs were just as low as those of our competitors. The wood products market is very competitive and a cost advantage of even 2 or 3 percent would allow competitors to take many of our customers.

"Finally, a major reason for the cutbacks was to protect the interests of our shareholders. A few years ago a shareholder group disrupted our annual meeting to insist that IFP make certain antipollution changes. In general, though, the shareholders seem to be more concerned with the return on their investments than with social responsibility. At our meeting, the president reminded me that, just like every other manager in the company, I should place the shareholders' interests above all else. I really was quite overwhelmed as I began to work up a human resource plan that would balance all of these conflicting interests."

**Questions**

- 1-19. How might each HR function be affected by the reduction in force? Remember that all employees at IFP are not members of the union.
- 1-20. List the elements in the company's environment that will affect Scott's suggested plan. How legitimate is the interest of each of these?
- 1-21. Is it true that Scott should be concerned first and foremost with protecting the interests of shareholders? Discuss.
- 1-22. Corporate culture is discussed in this chapter as a major internal environmental factor affecting an organization. How might the downsizing of IFP affect the corporate culture of the company?

**MyManagementLab®**

Go to [mymanagementlab.com](http://mymanagementlab.com) for Auto-graded writing questions as well as the following Assisted-graded writing questions:

- 1-23. What is employer branding? How might employer branding affect a company's ability to recruit?
- 1-24. How might a country's culture be a barrier to global business?

**Endnotes**

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