

The challenges and professional rewards that Sarah Koustrup and Josephine Simmons experience are important dimensions of **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 companies 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.

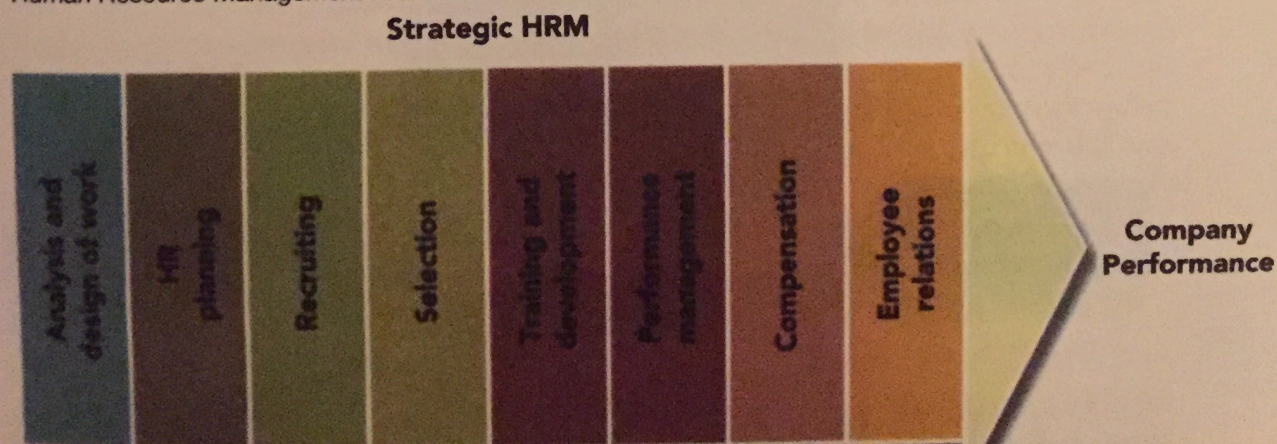
LO 1-1 Define human resource management, and explain how HRM contributes to an organization's performance.

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

Figure 1.1

Human Resource Management Practices



employee performance directly 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

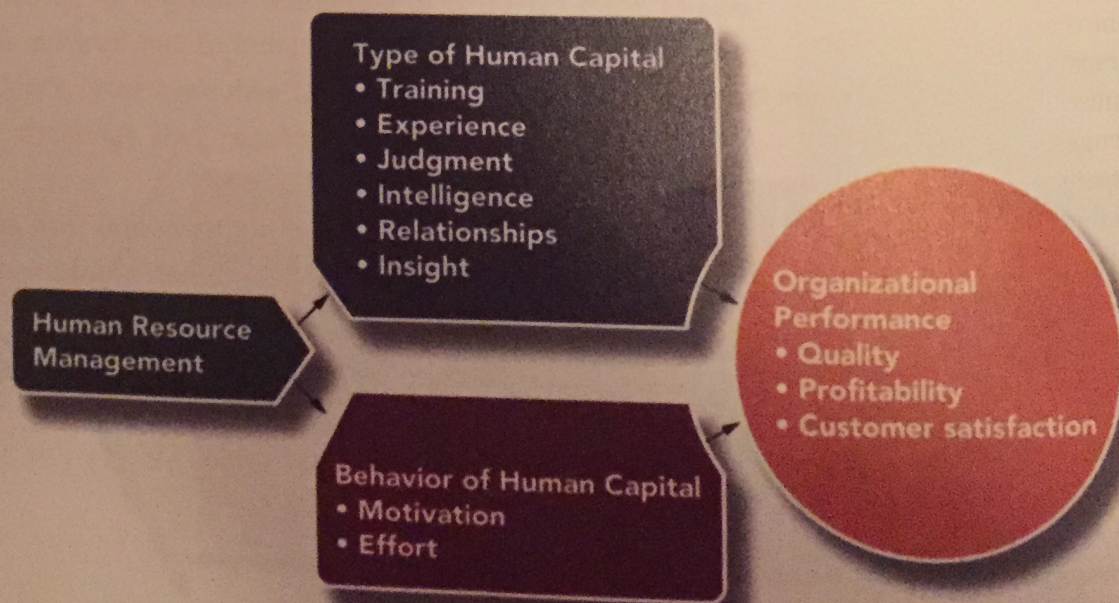
An organization's employees, described in terms of their training, experience, judgment, intelligence, relationships, and insight.

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—the employee characteristics that can 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. This view means employees in today's organizations are not interchangeable, easily replaced parts of a system but the 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 little or no employee benefits), and make last-minute adjustments to schedules so staffing is minimal when store traffic is light. Retailing expert Zeynep Ton has studied retailers that invest more in employees—paying higher wages and offering full-time schedules, greater training, and more opportunity for advancement. Ton has found that these stores tend to enjoy higher sales and greater profitability. At Costco, for example, employees earn about 40% more than at the company's main competitor, Sam's Club, and most store managers are promoted from within. Costco's sales per square foot are almost double those of Sam's Club, and its rating in the American Customer Satisfaction Index is comparable to that of the prestigious Nordstrom chain. The QuikTrip chain of convenience stores trains employees to handle a wide variety of tasks, from brewing coffee to ordering merchandise and cleaning restrooms. Instead of sending employees home when traffic is slow, QuikTrip expects them to handle tasks other

Figure 1.2

Impact of Human Resource Management



than selling. Employees have predictable schedules, stay busy throughout their shift, and sell 66% more per square foot than the average convenience store. In these and other chains that see employees as more than just an expense, retailers are outperforming their competitors.⁵

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 the kind of resources that will give them such an advantage. Human resources have these necessary qualities:

- Human resources are *valuable*. High-quality employees provide a needed service as they perform many critical functions.
- Human resources are *rare* in the sense that a person with high levels of the needed skills and knowledge is not common. An organization may spend months looking for a talented and experienced manager or technician.
- Human resources *cannot be imitated*. To imitate human resources at a high-performing competitor, you would have to figure out which employees are providing the advantage and how. Then you would have to recruit people who can do precisely the same thing and set up the systems that enable those people to imitate your competitor.
- Human resources have *no good substitutes*. When people are well trained and highly motivated, they learn, develop their abilities, and care about customers. It is difficult to imagine another resource that can match committed and talented employees.

These qualities imply that human resources have enormous potential. An organization realizes this potential through the ways it practices human resource management.

Effective management of human resources can form the foundation of a *high-performance work system*—an organization in which technology, organizational structure, people, and processes work together seamlessly to give an organization an advantage in the competitive environment. As technology changes the ways organizations manufacture, transport, communicate, and keep track of information, human resource management must ensure that the organization has the right kinds of people to meet the new challenges. High-performance work systems also have been essential in making organizations strong enough to weather the storm of the recent recession and remain profitable as the economy slowly begins to expand again. Maintaining a high-performance work system may include development of training programs, recruitment of people with new skill sets, and establishment of rewards for such behaviors as teamwork, flexibility, and learning. In the next chapter, we will see some of the changes that human resource managers are planning for, and Chapter 9 examines high-performance work systems in greater detail.



At Intel, the company's focus is on keeping employees loyal, trained, and compensated. In turn, there is a low turnover rate and a high degree of customer satisfaction.

(employees, customers, community, shareholders). This practice helps show that the money invested in HR programs is justified and that HRM is contributing to the company's goals and objectives. For example, data collected on the relationship between HR practices and productivity, turnover, accidents, employee attitudes, and medical costs may show that HR functions are as important to the business as finance, accounting, and marketing.

Often, an organization's strategy requires some type of change—for example, adding, moving, or closing facilities; applying new technology; or entering markets in other regions or countries. Common reactions to change include fear, anger, and confusion. The organization may turn to its human resource department for help in managing the change process. Skilled human resource professionals can apply knowledge of human behavior, along with performance management tools, to help the organization manage change constructively.

Another strategic challenge tackled by a growing number of companies is how to seek profits in ways that communities, customers, and suppliers will support over the long run. This concern is called **sustainability**—broadly defined as an organization's ability to profit without depleting its resources, including employees, natural resources, and the support of the surrounding community. Success at sustainability comes from meeting the needs of the organization's **stakeholders**, all the parties who have an interest in the organization's success. Typically, an organization's stakeholders include shareholders, the community, customers, and employees. Sustainable organizations meet their needs by minimizing their environmental impact, providing high-quality products and services, ensuring workplace safety, offering fair compensation, and delivering an adequate return to investors. Sustainability delivers a strategic advantage when it boosts the organization's image with customers, opens access to new markets, and helps attract and retain talented employees. In an organization with a sustainable strategy, HR departments focus on employee development and empowerment rather than short-term costs, on long-term planning rather than smooth turnover and outsourcing, and on justice and fairness over short-term profits.¹² At IBM, human resource management sustainably addresses the company's global presence and drive for innovation in several ways. Diversity training helps people work productively in teams regardless of ethnicity, gender, or other differences. Global Enablement Teams address employee development needs in various regions by sending employees from highly developed nations to mentor employees in developing nations; the mentors teach business skills while learning about these high-potential markets. And IBM's Smarter Planet projects to lower resource use and pollution attract talented innovators; job candidates are excited about the chance to be part of this effort.¹³

Sustainability

An organization's ability to profit without depleting its resources, including employees, natural resources, and the support of the surrounding community.

Stakeholders

The parties with an interest in the company's success (typically, shareholders, the community, customers, and employees).

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

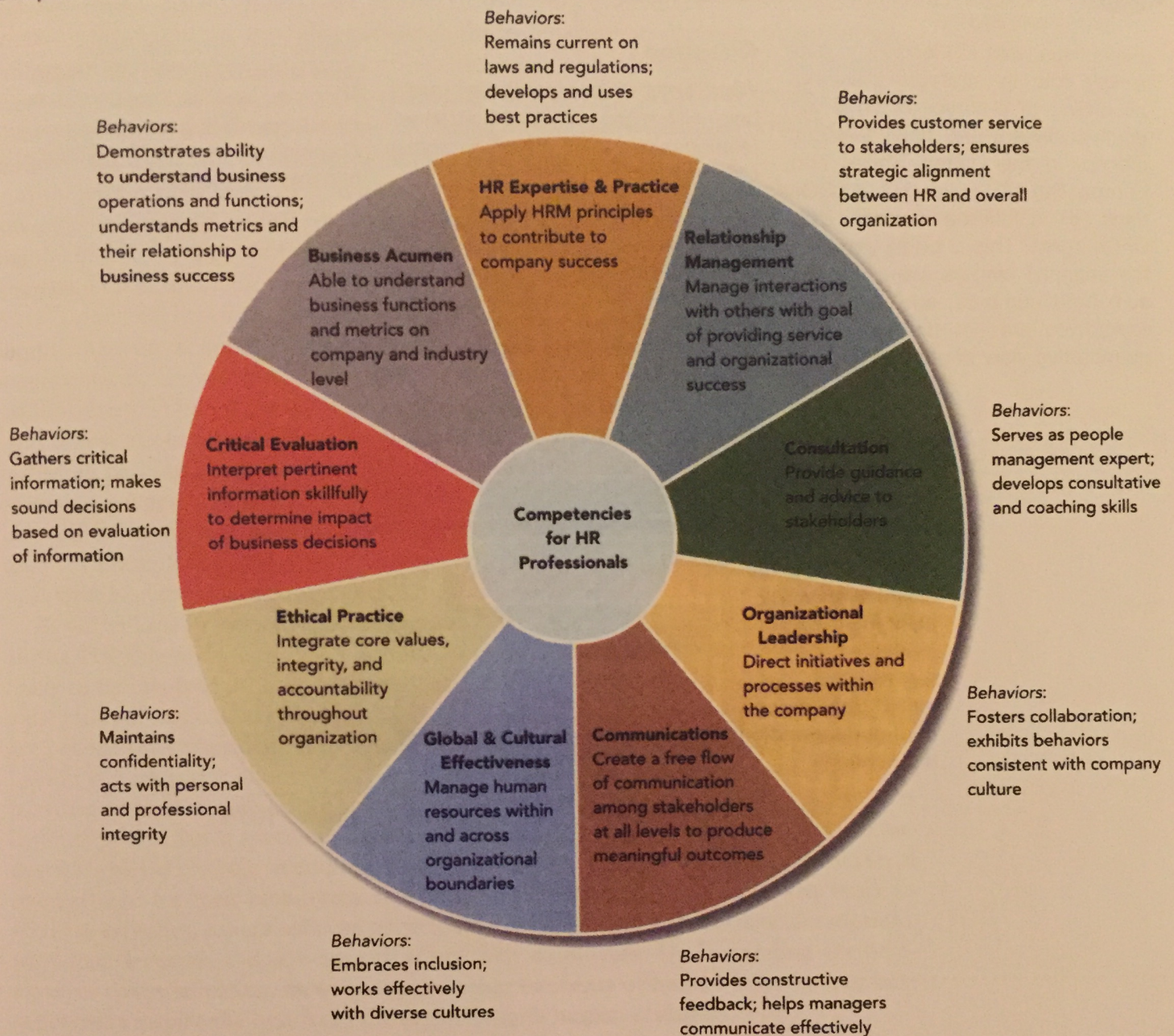
Skills of HRM Professionals

With such varied responsibilities, the human resource department needs to bring together a large pool of skills. The Society of Human Resource Management (SHRM) has defined sets of behaviors and skills associated with success, grouping these into nine categories it calls *HR success competencies*: relationship management, ethical practice, HR expertise, business acumen, critical evaluation, diversity and inclusion, leadership and navigation, consultation, and communication.¹⁴ Figure 1.3 describes the competencies and provides example behaviors that HR professionals should demonstrate as part of their growth and development.¹⁵ Members of the HR department need to be:

1. **Credible activists**—Are so well respected in the organization that they can influence the positions taken by managers. HR professionals who are competent in this area

Figure 1.3

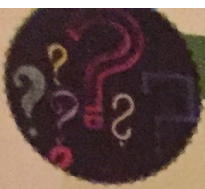
Competencies and Example Behaviors for HR Professionals



Source: Based on Society for Human Resource Management, "SHRM Elements for HR Success," www.shrm.org, accessed May 13, 2014.

have the most influence over the organization's success, but to build this competency, they have to gain credibility by mastering all the others.

2. *Cultural and change steward*—Understands the organization's culture and helping to build and strengthen or change that culture by identifying and expressing its values through words and actions.
3. *Talent manager/organizational designer*—Knows the ways that people join the organization and move to different positions within it. To do this effectively requires knowledge of how the organization is structured and how that structure might be adjusted to help it meet its goals for developing and using employees' talents.
4. *Strategic architect*—Requires awareness of business trends and an understanding of how they might affect the business, as well as opportunities and threats they might present.



Did You Know?

CEO and CFO Relationships with HRM

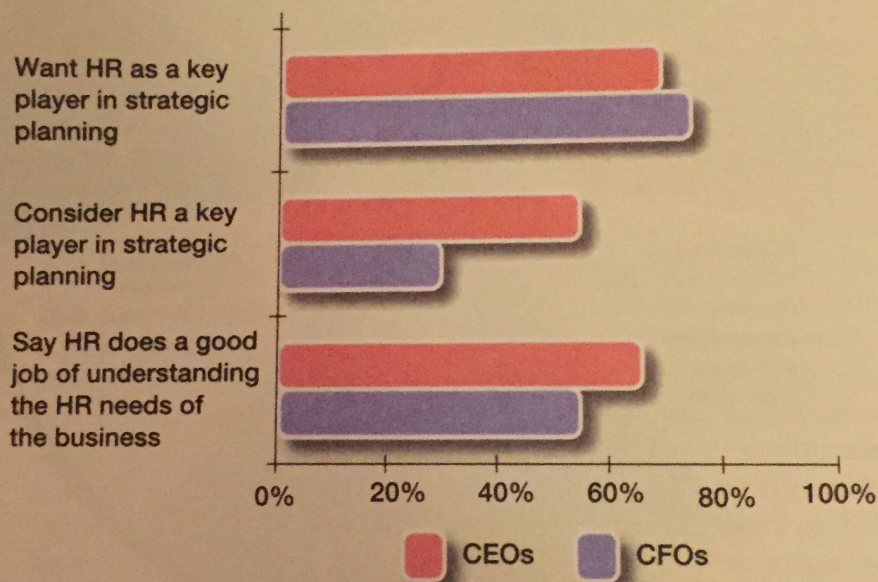
Executives want HR leaders to play a key role in strategic planning, according to a survey of chief executive officers and chief financial officers in the United States and Europe. But while over half of CEOs think HR is fulfilling that role, few CFOs agree. This is partly because the financial officers want to measure hard numbers, and many HR executives are not delivering that quantitative view of performance.

Question

What skills or competencies could help HR managers build stronger relationships with chief financial officers?

Sources: IBM, "Essential Partnerships for HR," IBM and Oracle, <http://www.ibm.com>, accessed April 8, 2014; "New Study Details Ways Human Resources Executives Can Take a Bigger Role in Driving Growth," *Market Wired*,

February 11, 2013, <http://www.marketwired.com>; IBM and Oracle, "CFO Perspectives: How HR Can Take On a Bigger Role in Driving Growth," *Economist Intelligence Unit*, 2012, <http://www.oracle.com>



- A person with this capability spots ways effective management of human resources can help the company seize opportunities and confront threats to the business.
5. *Business allies*—Know how the business makes money, who its customers are, and why customers buy what the company sells.
 6. *Operational executors*—At the most basic level carry out particular HR functions such as handling the selection, training, or compensation of employees and communicating through a variety of media. All of the other HR skills require some ability as operational executor, because this is the level at which policies and transactions deliver results by legally, ethically, and efficiently acquiring, developing, motivating, and deploying human resources.

All of these competencies require interpersonal skills. Successful HR professionals must be able to share information, build relationships, and influence persons inside and outside the company. The "Did You Know?" box suggests some of the challenges involved.

HR Responsibilities of Supervisors

Although many organizations have human resource departments, HR activities are by no means limited to the specialists who staff those departments. In large organizations, HR departments advise and support the activities of the other departments. In small organizations, there may be an HR specialist, but many HR activities are carried out by line supervisors. Either way, non-HR managers need to be familiar with the basics of HRM and their role in managing human resources.

At a start-up company, the first supervisors are the company's founders. Not all founders recognize their HR responsibilities, but those who do have a powerful advantage. When Rusty George first founded his marketing firm, Rusty George Creative, in Tacoma, Washington, hiring was just something he did to keep up with rising demand. As he signed on law firms, museums, and other clients, he added staff to take care of them. Then the economy took a dive, and all the clients decided to do without the firm's services. George had no way to continue paying all 17 of his employees. He laid off 9 of them. When business started to build again, George knew he had to be more methodical about hiring. He now analyzes all the costs associated with a new hire, including parking spaces, equipment, and even coffee. Then he looks at the additional revenue a particular position can generate. Only when those numbers show that a new hire will be profitable does George start contacting candidates who have submitted their résumés. Based on a painful lesson, George has learned to align his hiring practices with his business requirements.¹⁶

As we will see in later chapters, supervisors typically have responsibilities related to all the HR functions. Figure 1.4 shows some HR responsibilities that supervisors are likely to be involved in. Organizations depend on supervisors to help them determine what kinds of work need to be done (job analysis and design) and how many employees are needed (HR planning). Supervisors typically interview job candidates and participate in the decisions about which candidates to hire. Many organizations expect supervisors to train employees in some or all aspects of the employees' jobs. Supervisors conduct performance appraisals and may recommend pay increases. And, of course, supervisors play a key role in employee relations because they are most often the voice of management for their employees, representing the company on a day-to-day basis. In all these activities, supervisors can participate in HRM by taking into consideration the ways that decisions and policies will affect their employees. Understanding the principles of communication, motivation, and other elements of human behavior can help supervisors inspire the best from the organization's human resources.

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

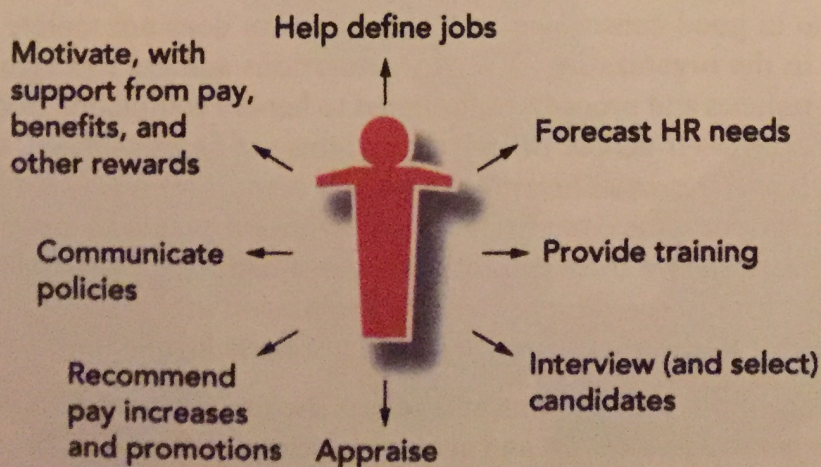


Figure 1.4
Supervisors' Involvement in HRM: Common Areas of Involvement