

# Managing Human Resources

## What Do I Need to Know?

*After reading this chapter, you should be able to:*

- L01 Define human resource management, and explain how HRM contributes to an organization's performance.
- L02 Identify the responsibilities of human resource departments.
- L03 Summarize the types of skills needed for human resource management.
- L04 Explain the role of supervisors in human resource management.
- L05 Discuss ethical issues in human resource management.
- L06 Describe typical careers in human resource management.

## Introduction

Imagine trying to run a business where you have to replace every employee two or three times a year. If that sounds chaotic, you can sympathize with the challenge facing Rob Cecere when he took the job of regional manager for a group of eight Domino's Pizza stores in New Jersey. In Cecere's region, store managers were quitting after a few months on the job. The lack of consistent leadership at the store level contributed to employee turnover rates of up to 300 percent a year (one position being filled three times in a year). In other words, new managers constantly had to find, hire, and train new workers—and rely on inexperienced people to keep customers happy. Not surprisingly, the stores in Cecere's new territory were failing to meet sales goals.

Cecere made it his top goal to build a stable team of store managers who in turn could retain employees at their stores. He held a meeting with the managers and talked about improving sales, explaining, "It's got to start with people": hiring good people and keeping them on board. He continues to coach his managers, helping them build sales and motivate their workers through training and patience. In doing so, he has the backing of Domino's headquarters. When the company's former chief executive, David Brandon, took charge, he was shocked by the high employee turnover (then 158 percent nationwide), and he made that problem his priority. Brandon doubts the pay rates are what keeps employees with any fast-food company; instead, he emphasizes careful hiring, extensive coaching, and opportunities to earn promotions. In the years since Brandon became CEO, employee turnover at Domino's has fallen. And in New Jersey, Cecere is beginning to see results from his store managers as well.<sup>1</sup>

Figure 1.1

Human Resource Management Practices



### Human Resource Management (HRM)

The policies, practices, and systems that influence employees' behavior, attitudes, and performance.

**L01** Define human resource management, and explain how HRM contributes to an organization's performance.

The challenges faced by Domino's 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.<sup>2</sup>

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 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.<sup>3</sup> Decisions such as whom to hire, what to pay, what training to offer, and how to evaluate employee performance directly affect employees' motivation and ability to provide

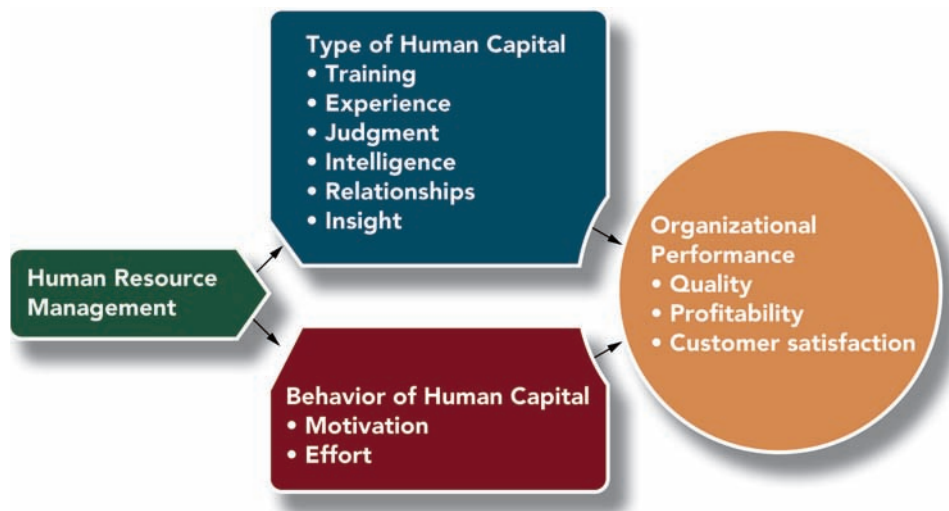
goods and services that customers value. Companies that attempt to increase their competitiveness by investing in new technology and promoting quality throughout the organization also invest in state-of-the-art staffing, training, and compensation practices.<sup>4</sup>

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.

Fabick Caterpillar (CAT), which sells, rents, and repairs Caterpillar construction equipment, demonstrates the importance of human capital to the company’s bottom line. Fabick CAT, which serves construction businesses and contractors in Missouri and southern Illinois and pipeline contractors throughout the world, has more than 600 employees in 12 locations. When Doug Fabick inherited the business from his father in 1999, he wondered why it was underperforming many other CAT dealerships in the United States. Fabick studied traditional financial indicators and organizational charts but could find no common thread. He began to think success depended on getting the right people in the right positions and doing *something* to get them passionate about their jobs. Initial assessments of employee attitudes suggested he was right: only 16 percent of employees were “engaged” (fully committed to their work). Fabick began working with managers and employees on such HR practices as developing management talent, selecting new employees with the right skills and abilities to succeed, and training salespeople to develop strong customer relationships. As employees began to feel the company was focused on building on their strengths, their engagement with their work began to rise—and so did Fabick CAT’s sales and profits.<sup>5</sup>

### Human Capital

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



**Figure 1.2**

Impact of Human Resource Management



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

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. As demonstrated in the “Did You know?” box, 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 all work together 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. 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 16 examines high-performance work systems in greater detail.

### High-Performance Work System

An organization in which technology, organizational structure, people, and processes all work together to give an organization an advantage in the competitive environment.

**L02** Identify the responsibilities of human resource departments.

## Responsibilities of Human Resource Departments

In all but the smallest organizations, a human resource department is responsible for the functions of human resource management. On average, an organization has one HR staff person for every 93 employees served by the department.<sup>6</sup> One way to define the responsibilities of HR departments is to think of HR as a business within the company with three product lines:<sup>7</sup>

1. *Administrative services and transactions*—Handling administrative tasks (for example, hiring employees and answering questions about benefits) efficiently and with a commitment to quality. This requires expertise in the particular tasks.

# Did You Know?

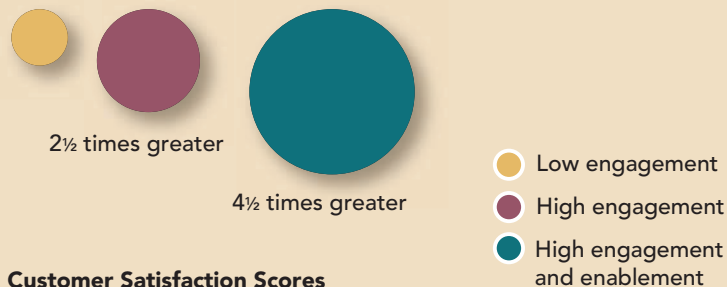
## Engaged, Enabled Employees Deliver Bottom-Line Benefits

Comparing companies where employees are highly engaged (through communication and leadership) and highly enabled (carefully selected for well-

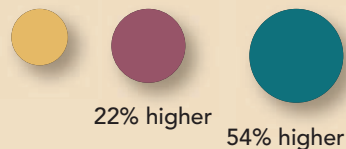
designed jobs with adequate resources and training) with low-engagement, low-enablement companies, the Hay Group found big performance differences.

*Source:* Hay Group, "Tough Decisions in a Downturn Don't Have to Lead to Disengaged Employees," news release, August 13, 2009, <http://www.haygroup.com>.

### Growth in Revenues



### Customer Satisfaction Scores



2. *Business partner services*—Developing effective HR systems that help the organization meet its goals for attracting, keeping, and developing people with the skills it needs. For the systems to be effective, HR people must understand the business so it can understand what the business needs.
3. *Strategic partner*—Contributing to the company's strategy through an understanding of its existing and needed human resources and ways HR practices can give the company a competitive advantage. For strategic ideas to be effective, HR people must understand the business, its industry, and its competitors.

Another way to think of HR responsibilities is in terms of specific activities. Table 1.1 details the responsibilities of human resource departments. These responsibilities include the practices introduced in Figure 1.1 plus two areas of responsibility that support those practices: (1) establishing and administering personnel policies and (2) ensuring compliance with labor laws.

Although the human resource department has responsibility for these areas, many of the tasks may be performed by supervisors or others inside or outside the organization. No two human resource departments have precisely the same roles because of differences in organization sizes and characteristics of the workforce, the industry, and management's values. In some companies, the HR department handles all the activities listed in Table 1.1. In others, it may share the roles and duties with managers of other departments such as finance, operations, or information technology. In some companies, the HR department actively advises top management. In others,

Table 1.1

Responsibilities of HR Departments

FUNCTION	RESPONSIBILITIES
Analysis and design of work	Work analysis; job design; job descriptions
Recruitment and selection	Recruiting; job postings; interviewing; testing; coordinating use of temporary labor
Training and development	Orientation; skills training; career development programs
Performance management	Performance measures; preparation and administration of performance appraisals; discipline
Compensation and benefits	Wage and salary administration; incentive pay; insurance; vacation leave administration; retirement plans; profit sharing; stock plans
Employee relations	Attitude surveys; labor relations; employee handbooks; company publications; labor law compliance; relocation and outplacement services
Personnel policies	Policy creation; policy communication; record keeping; HR information systems
Compliance with laws	Policies to ensure lawful behavior; reporting; posting information; safety inspections; accessibility accommodations
Support for strategy	Human resource planning and forecasting; change management

SOURCE: Based on SHRM-BNA Survey No. 66, "Policy and Practice Forum: Human Resource Activities, Budgets, and Staffs, 2000–2001," *Bulletin to Management*, Bureau of National Affairs Policy and Practice Series (Washington, DC: Bureau of National Affairs, June 28, 2001).

the department responds to top-level management decisions and implements staffing, training, and compensation activities in light of company strategy and policies.

Let's take an overview of the HR functions and some of the options available for carrying them out. Human resource management involves both the selection of which options to use and the activities involved with using those options. Later chapters of the book will explore each function in greater detail.

## Analyzing and Designing Jobs

To produce their given product or service (or set of products or services), companies require that a number of tasks be performed. The tasks are grouped together in various combinations to form jobs. Ideally, the tasks should be grouped in ways that help the organization to operate efficiently and to obtain people with the right qualifications to do the jobs well. This function involves the activities of job analysis and job design. **Job analysis** is the process of getting detailed information about jobs. **Job design** is the process of defining the way work will be performed and the tasks that a given job requires.

In general, jobs can vary from having a narrow range of simple tasks to having a broad array of complex tasks requiring multiple skills. At one extreme is a worker on an assembly line at a poultry-processing facility; at the other extreme is a doctor in an emergency room. In the past, many companies have emphasized the use of narrowly defined jobs to increase efficiency. With many simple jobs, a company can easily find workers who can quickly be trained to perform the jobs at relatively low pay. However, greater concern for innovation and quality has shifted the trend to more use of broadly defined jobs. Also, as we will see in Chapters 2 and 4, some organizations assign work even more broadly, to teams instead of individuals.

### Job Analysis

The process of getting detailed information about jobs.

### Job Design

The process of defining the way work will be performed and the tasks that a given job requires.



## Recruiting and Hiring Employees

Based on job analysis and design, an organization can determine the kinds of employees it needs. With this knowledge, it carries out the function of recruiting and hiring employees.

**Recruitment** is the process through which the organization seeks applicants for potential employment. **Selection** refers to the process by which the organization attempts to identify applicants with the necessary knowledge, skills, abilities, and other characteristics that will help the organization achieve its goals. An organization makes selection decisions in order to add employees to its workforce, as well as to transfer existing employees to new positions.

Approaches to recruiting and selection involve a variety of alternatives. Some organizations may actively recruit from many external sources, such as Internet job postings, newspaper want-ads, and college recruiting events. Other organizations may rely heavily on promotions from within, applicants referred by current employees, and the availability of in-house people with the necessary skills.

At some organizations the selection process may focus on specific skills, such as experience with a particular programming language or type of equipment. At other organizations, selection may focus on general abilities, such as the ability to work as part of a team or find creative solutions. The focus an organization favors will affect many choices, from the way the organization measures ability, to the questions it asks in interviews, to the places it recruits. Table 1.2 lists the top five qualities that employers say they are looking for in job candidates.

## Training and Developing Employees

Although organizations base hiring decisions on candidates' existing qualifications, most organizations provide ways for their employees to broaden or deepen their knowledge, skills, and abilities. To do this, organizations provide for employee training and development. **Training** is a planned effort to enable employees to learn job-related knowledge, skills, and behavior. For example, many organizations offer safety training to teach employees safe work habits. **Development** involves acquiring knowledge, skills, and behavior that improve employees' ability to meet the challenges of a variety of new or existing jobs, including the client and customer demands of those jobs. Development programs often focus on preparing employees for management responsibility. Likewise, if a company plans to set up teams to manufacture products, it might offer a development program to help employees learn the ins and outs of effective teamwork.

1. Interpersonal skills
2. Work ethic
3. Initiative/flexibility
4. Honesty/loyalty
5. Strong communication skills (verbal and written)

**SOURCES:** "Skills Employers Look for in Employees," articles by Leigh Goessl, Juan Leer, and Sun Meilan at [www.helium.com](http://www.helium.com), accessed May 12, 2010, and Dennis Lee, "10 Qualities Interviewers Look For," at [www.goldsea.com](http://www.goldsea.com), accessed May 12, 2010.



Home Depot and other retail stores use in-store kiosks similar to the Career Center shown here to recruit applicants for employment.

### Recruitment

The process through which the organization seeks applicants for potential employment.

### Selection

The process by which the organization attempts to identify applicants with the necessary knowledge, skills, abilities, and other characteristics that will help the organization achieve its goals.

### Training

A planned effort to enable employees to learn job-related knowledge, skills, and behavior.

### Development

The acquisition of knowledge, skills, and behaviors that improve an employee's ability to meet changes in job requirements and in customer demands.

**Table 1.2**

**Top Qualities Employers Look For in Employees**

Decisions related to training and development include whether the organization will emphasize enabling employees to perform their current jobs, preparing them for future jobs, or both. An organization may offer programs to a few employees in whom the organization wants to invest, or it may have a philosophy of investing in the training of all its workers. Some organizations, especially large ones, may have extensive formal training programs, including classroom sessions and training programs online. Other organizations may prefer a simpler, more flexible approach of encouraging employees to participate in outside training and development programs as needs are identified.

## Managing Performance

Managing human resources includes keeping track of how well employees are performing relative to objectives such as job descriptions and goals for a particular position. The process of ensuring that employees' activities and outputs match the organization's goals is called **performance management**. The activities of performance management include specifying the tasks and outcomes of a job that contribute to the organization's success. Then various measures are used to compare the employee's performance over some time period with the desired performance. Often, rewards—the topic of the next section—are developed to encourage good performance.

The human resource department may be responsible for developing or obtaining questionnaires and other devices for measuring performance. The performance measures may emphasize observable behaviors (for example, answering the phone by the second ring), outcomes (number of customer complaints and compliments), or both. When the person evaluating performance is not familiar with the details of the job, outcomes tend to be easier to evaluate than specific behaviors.<sup>8</sup> The evaluation may focus on the short term or long term and on individual employees or groups. Typically, the person who completes the evaluation is the employee's supervisor. Often employees also evaluate their own performance, and in some organizations, peers and subordinates participate, too.

## Planning and Administering Pay and Benefits

The pay and benefits that employees earn play an important role in motivating them. This is especially true when rewards such as bonuses are linked to the individual's or group's achievements. Decisions about pay and benefits can also support other aspects of an organization's strategy. For example, a company that wants to provide an exceptional level of service or be exceptionally innovative might pay significantly more than competitors in order to attract and keep the best employees. At other companies, a low-cost strategy requires knowledge of industry norms, so that the company does not spend more than it must.

Planning pay and benefits involves many decisions, often complex and based on knowledge of a multitude of legal requirements. An important decision is how much to offer in salary or wages, as opposed to bonuses, commissions, and other performance-related pay. Other decisions involve which benefits to offer, from retirement plans to various kinds of insurance to time off with pay. These pay decisions may also be linked to other decisions and policies aimed at motivating and engaging workers, as described in the "HR How To" box. All such decisions have implications for the organization's bottom line, as well as for employee motivation.

### Performance Management

The process of ensuring that employees' activities and outputs match the organization's goals.



## PUTTING COMPENSATION IN PERSPECTIVE

When it comes to attracting, keeping, and motivating workers, a lot of people think first about pay, and certainly getting paid is one important reason we get up and go to work day after day. But to get employees to use all their talents and go the extra mile, companies have to combine decisions about compensation with other efforts at engaging and enabling their people:

- *Link significant differences in pay to high performance*—The best workers should be up for bonuses, promotions, or other measurable rewards. That means compensation budgets should include
- *money set aside for those rewards.*
- *Make sure employees know what is expected of them*—This requires a combination of careful job design and thorough communication. HR staff can work with supervisors to spell out what superior performance looks like for each position in the organization.
- *Give employees plenty of feedback, so performance problems can be identified and corrected early on*—HR personnel can work with supervisors by developing and helping them use systems for performance feedback.
- *Make success possible*—That includes matching qualified people to jobs and participating in efforts to eliminate or improve inefficient work processes. Training should be available to help employees fulfill job requirements, update skills, and advance in their careers.
- *Create a positive climate*—When possible, encourage employees to collaborate and take on authority for decision making in the areas for which they are responsible.

*Source:* Based on William Werhane and Mark Royal, "Engaging and Enabling Employees," *workspan*, October 2009, pp. 39–43.

Administering pay and benefits is another big responsibility. Organizations need systems for keeping track of each employee's earnings and benefits. Employees need information about their health plan, retirement plan, and other benefits. Keeping track of this involves extensive record keeping and reporting to management, employees, the government, and others.

## Maintaining Positive Employee Relations

Organizations often depend on human resource professionals to help them maintain positive relations with employees. This function includes preparing and distributing employee handbooks that detail company policies and, in large organizations, company publications such as a monthly newsletter or a Web site on the organization's intranet. Preparing these communications may be a regular task for the human resource department.

The human resource department can also expect to handle certain kinds of communications from individual employees. Employees turn to the HR department for answers to questions about benefits and company policy. If employees feel they have been discriminated against, see safety hazards, or have other problems and are dissatisfied with their supervisor's response, they may turn to the HR department for help. Members of the department should be prepared to address such problems.

In organizations where employees belong to a union, employee relations entail additional responsibilities. The organization periodically conducts collective bargaining

to negotiate an employment contract with union members. The HR department maintains communication with union representatives to ensure that problems are resolved as they arise.

## **Establishing and Administering Personnel Policies**

All the human resource activities described so far require fair and consistent decisions, and most require substantial record keeping. Organizations depend on their HR department to help establish policies related to hiring, discipline, promotions, and benefits. For example, with a policy in place that an intoxicated worker will be immediately terminated, the company can handle such a situation more fairly and objectively than if it addressed such incidents on a case-by-case basis. The company depends on its HR professionals to help develop and then communicate the policy to every employee, so that everyone knows its importance. If anyone violates the rule, a supervisor can quickly intervene—confident that the employee knew the consequences and that any other employee would be treated the same way. Not only do such policies promote fair decision making, but they also promote other objectives, such as workplace safety and customer service.

All aspects of human resource management require careful and discreet record keeping, from processing job applications, to performance appraisals, benefits enrollment, and government-mandated reports. Handling records about employees requires accuracy as well as sensitivity to employee privacy. Whether the organization keeps records in file cabinets or on a sophisticated computer information system, it must have methods for ensuring accuracy and for balancing privacy concerns with easy access for those who need information and are authorized to see it.

## **Ensuring Compliance with Labor Laws**

As we will discuss in later chapters, especially Chapter 3, the government has many laws and regulations concerning the treatment of employees. These laws govern such matters as equal employment opportunity, employee safety and health, employee pay and benefits, employee privacy, and job security. Government requirements include filing reports and displaying posters, as well as avoiding unlawful behavior. Most managers depend on human resource professionals to help them keep track of these requirements.

Ensuring compliance with laws requires that human resource personnel keep watch over a rapidly changing legal landscape. For example, the increased use of and access to electronic databases by employees and employers suggest that in the near future legislation will be needed to protect employee privacy rights. Currently, no federal laws outline how to use employee databases in such a way as to protect employees' privacy while also meeting employers' and society's concern for security.

Lawsuits that will continue to influence HRM practices concern job security. Because companies are forced to close facilities and lay off employees because of economic or competitive conditions, cases dealing with the illegal discharge of employees have increased. The issue of "employment at will"—that is, the principle that an employer may terminate employment at any time without notice—will be debated. As the age of the overall workforce increases, as described in the next chapter, the number of cases dealing with age discrimination in layoffs, promotions, and benefits will likely rise. Employers will need to review work rules, recruitment practices, and performance evaluation systems, revising them if necessary to ensure that they do not

falsely communicate employment agreements the company does not intend to honor (such as lifetime employment) or discriminate on the basis of age.

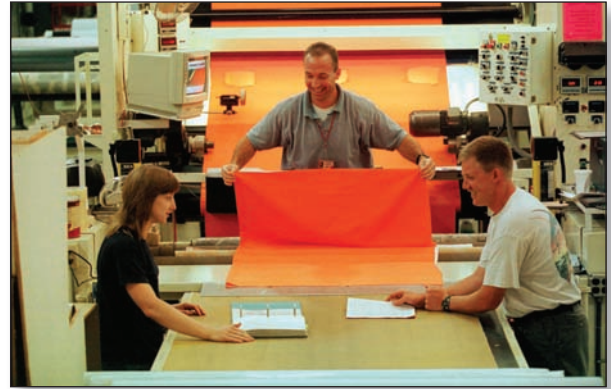
## Supporting the Organization's Strategy

At one time, human resource management was primarily an administrative function. The HR department focused on filling out forms and processing paperwork. As more organizations have come to appreciate the significance of highly skilled human resources, however, many HR departments have taken on a more active role in supporting the organization's strategy. As a result, today's HR professionals need to understand the organization's business operations, project how business trends might affect the business, reinforce positive aspects of the organization's culture, develop talent for present and future needs, craft effective HR strategies, and make a case for them to top management.<sup>9</sup> Evidence for greater involvement in strategy is that more corporations' boards of directors are adding HR executives. Hewitt Associates brought onboard William J. Conaty, formerly the head of HR for General Electric, to help with recruiting talented leaders, and VF Corporation's board includes Ursula Fairbairn, former HR head at American Express Company. When VF acquired North Face, Fairbairn used her experience with mergers to help the company communicate effectively with its new employees.<sup>10</sup>

An important element of this responsibility is **human resource planning**, identifying the numbers and types of employees the organization will require in order to meet its objectives. Using these estimates, the human resource department helps the organization forecast its needs for hiring, training, and reassigning employees. Planning also may show that the organization will need fewer employees to meet anticipated needs. In that situation, human resource planning includes how to handle or avoid layoffs.

As part of its strategic role, one of the key contributions HR can make is to engage in evidence-based HR. **Evidence-based HR** refers to demonstrating that human resource practices have a positive influence on the company's profits or key stakeholders (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. The "Best Practices" box describes how Lifespan, a group of hospitals, has benefited from using evidence-based HR.

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.



One reason W. L. Gore & Associates is repeatedly named one of the 100 Best Companies to Work for in America is their unusual corporate culture where all employees are known as associates and bosses are not to be found. How do you think this boosts morale in the workplace?

### Human Resource Planning

Identifying the numbers and types of employees the organization will require to meet its objectives.

### Evidence-based HR

Collecting and using data to show that human resource practices have a positive influence on the company's bottom line or key stakeholders.

## FOR LIFESPAN, DATA-DRIVEN APPROACH HELPS HR GET BETTER

In a hospital, getting talented employees engaged in their work is more than a matter of profits; it also shapes patients' health and sometimes their lives. So it's no wonder that Lifespan, a group of five New England hospitals with almost 12,000 employees, takes HR very seriously. Lifespan has a formally defined mission statement that emphasizes quality service aimed at improving health, and Lifespan's HR group has its own mission to help the hospitals achieve their goals to be the institution that patients and health workers choose for their health care or jobs.

The HR function uses a methodical approach that starts by figuring out what drives engagement among Lifespan's employees. Every two years, the company uses a contractor called PeopleMetrics to conduct a survey of all Lifespan employees; in

this way, Lifespan learned that at all of its hospitals, employees are most engaged when they perceive that the organization cares for its employees. Based on this and other conclusions from the surveys, HR helps the individual hospital and department management develop action plans for improving the drivers of engagement. In follow-up surveys, Lifespan determines whether it is improving in the targeted areas, as well as watching for improvements in outcomes, such as employee turnover and patient satisfaction and health.

Measurements by PeopleMetrics found that as employee engagement has improved at Lifespan, so has patient satisfaction and the likelihood that patients will recommend the hospitals to others. The research also found that when employee engagement was higher, fewer

medication errors occurred, and patients were less likely to get hospital-acquired infections. Those improvements in care have an obvious benefit to patients. They also have a bottom-line benefit. Medicare and Medicaid no longer reimburse hospitals for serious preventable events, so avoiding medication errors and preventable infections saves the company money that would be spent to provide services for which it will not be paid. That makes for healthier hospitals—financially speaking—as well as healthier, happier patients.

*Sources:* Lifespan, "Lifespan Mission Statement" and "Lifespan Statistics," Lifespan Web site, <http://www.lifespan.org>, accessed February 17, 2010; and PeopleMetrics, "Lifespan Uses Employee Engagement Management (EEM) to Increase Patient Satisfaction," case study, 2009, [www.peoplemetrics.com](http://www.peoplemetrics.com), accessed February 16, 2010.



### Corporate Social Responsibility

A company's commitment to meeting the needs of its stakeholders.

### Stakeholders

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

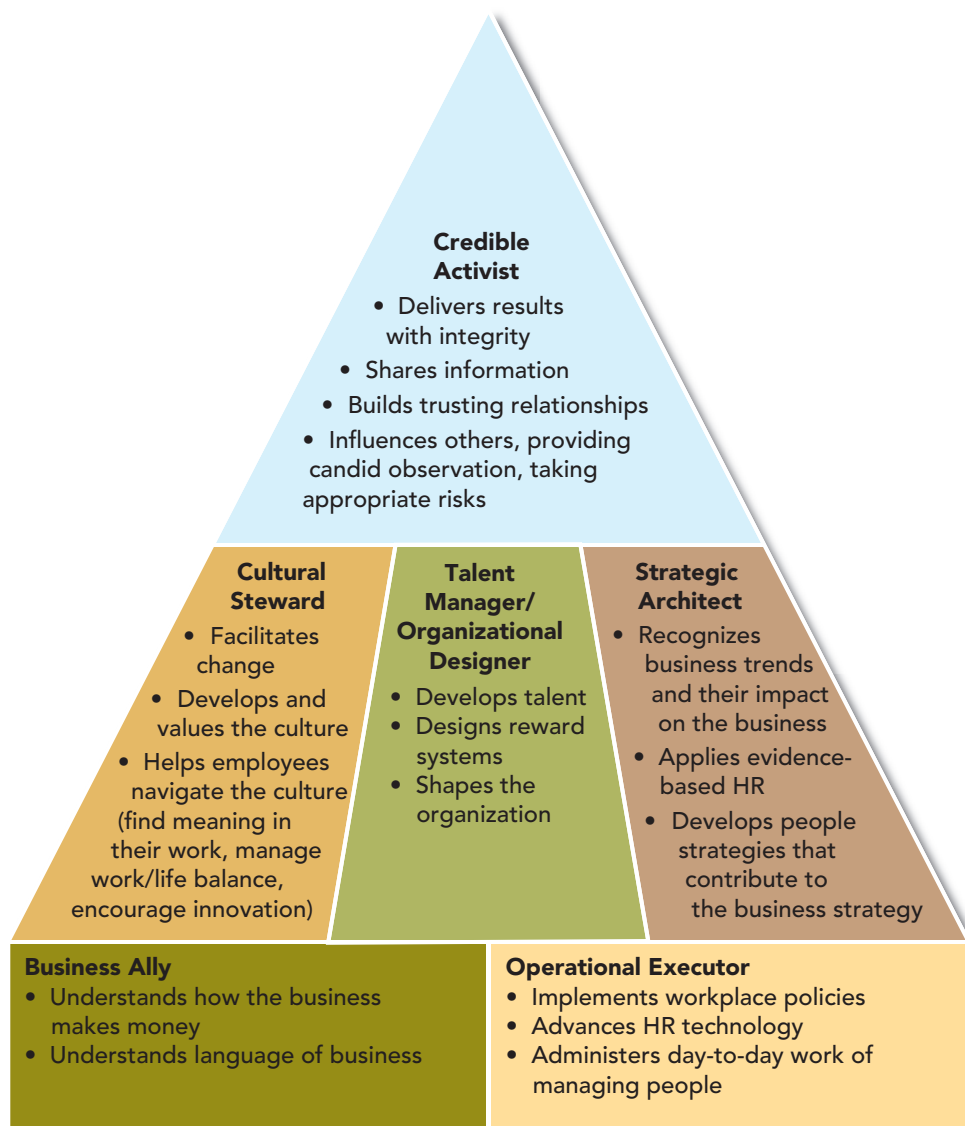
Another strategic challenge tackled by a growing number of companies is how to be both profitable and socially responsible. **Corporate social responsibility** describes a company's commitment to meeting the needs of its stakeholders. **Stakeholders** are the parties that have an interest in the company's success; typically, they include shareholders, the community, customers, and employees. Ways to exercise social responsibility include minimizing environmental impact, providing high-quality products and services, and measuring how well the company is meeting stakeholders' needs (e.g., a fair return on investors' capital, safe and reliable products for customers, fair compensation and safe working conditions for employees, and clean air and water for communities). Exercising social responsibility can be strategic when it boosts a company's image with customers, opens access to new markets, and helps attract and retain talented employees. HR departments support this type of strategy by helping establish programs that enable and reward employees for efforts at social responsibility. After General Mills acquired Pillsbury, the Meals Division brought the newly merged team of employees to volunteer for the Perspectives Family Center, which helps families in transition. Meals Division employees have helped by painting child care center rooms, participating in school supply drives, and delivering Christmas trees. Besides helping the community, volunteer efforts such as these strengthen ties among General Mills' employees and help them develop leadership and other skills.<sup>11</sup>

## Skills of HRM Professionals

With such varied responsibilities, the human resource department needs to bring together a large pool of skills. These skills fall into the six basic functions shown in Figure 1.3.<sup>12</sup> Members of the HR department need to be:

1. *Credible activists*—means being so well respected in the organization that you can influence the positions taken by managers. HR professionals who are competent in this area 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 steward*—involves understanding the organization's culture and helping to build and strengthen or change that culture by identifying and expressing its values through words and actions.

**L03** Summarize the types of skills needed for human resource management.



**Figure 1.3**

Six Competencies for the HR Profession



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. *Strategy 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. 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. 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.

**L04** Explain the role of supervisors in human resource management.

## 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 with regard to 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 the Pennsylvania Historical and Museum Commission had to make budget cuts, the future of the historic U.S. brig *Niagara*, berthed at the Erie Maritime Museum, was in doubt. But a nonprofit, the Flagship Niagara League, stepped forward to take over maintaining the ship and opening it to visitors. That meant the league would have to grow. From a staff of one full-time employee and six part-timers, the league doubled in size to five crew members, five employees in the gift shop, a supervisor, and two administrators. Suddenly, human resource needs couldn't be handled informally. The league's executive director, Bill Sutton, determined that the fastest way to get going would be to find an HR consultant to help the league put in place an entire HR program with all the programs and procedures required to follow legal requirements.<sup>13</sup>

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



**Figure 1.4**

Supervisors' Involvement in HRM: Common Areas of Involvement

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.

## Ethics in Human Resource Management

Whenever people's actions affect one another, ethical issues arise, and business decisions are no exception. **Ethics** refers to fundamental principles of right and wrong; ethical behavior is behavior that is consistent with those principles. Business decisions, including HRM decisions, should be ethical, but the evidence suggests that is not always what happens. Recent surveys indicate that the general public and managers do not have positive perceptions of the ethical conduct of U.S. businesses. For example, in a Gallup poll on honesty and ethics in 21 professions, only 12 percent of Americans rated business executives high or very high; three times as many rated them low or very low. And from a global perspective, an international poll of Facebook members found that two-thirds believe individuals do not apply values they hold in their personal lives to their professional activities.<sup>14</sup>

Many ethical issues in the workplace involve human resource management. The recent financial crisis, in which the investment bank Lehman Brothers collapsed, insurance giant AIG survived only with a massive infusion of government funds, and many observers feared that money for loans would dry up altogether, had many causes. Among these, some people believe, were ethical lapses related to compensation and other HR policies. The "HR Oops!" box provides some details about this viewpoint.

## Employee Rights

In the context of ethical human resource management, HR managers must view employees as having basic rights. Such a view reflects ethical principles embodied in the U.S. Constitution and Bill of Rights. A widely adopted understanding of human rights, based on the work of the philosopher Immanuel Kant, as well as the tradition of the Enlightenment, assumes that in a moral universe, every person has certain basic rights:

- *Right of free consent*—People have the right to be treated only as they knowingly and willingly consent to be treated. An example that applies to employees would

**LO5** Discuss ethical issues in human resource management.

**Ethics**  
The fundamental principles of right and wrong.

# HR Oops!

## Ethics of a Financial Crisis

One force behind the financial panic that accompanied the bursting of the real estate bubble in 2008 was the trading of risky mortgages that were treated as relatively low-risk investments. Why would otherwise prudent banking and insurance executives do something so foolish? One explanation is that they had financial incentives to do so: performance standards and bonuses that rewarded them for taking chances. For example, banks rewarded loan officers with pay based on the number and size of the loans they made. This system brings in lots of business, but if the compensation system includes no penalty for loans that go bad, there is no incentive to be

careful not to make loans that are too risky.

Another problem comes from cultures that glorify individuals who bring in lots of business. That might sound like a good thing—and in good times, it may well be—but a culture that doesn't glorify prudent decisions that look out for the entire company's long-term interests is likely to fall victim to carelessness and excessive risk at some point. A company may even find that some individuals engage in cheating or questionable activities to boost their star status. Then the company sacrifices its long-term reputation for the glory of a few individual stars.

*Source:* Wayne F. Cascio and Peter Cappelli, "Lessons from the Financial Services Crisis," *HR Magazine*, January 2009, Business & Company Resource Center, <http://galenet.galegroup.com>.

### Questions

1. What ethical values do you think would be essential for a bank to uphold? Suggest three ways a bank could strengthen those values in its employees through HR policies and practices.
2. Which of the HR skills described in this chapter would be needed to prevent the kinds of problems described in this analysis of the financial crisis?

be that employees should know the nature of the job they are being hired to do; the employer should not deceive them.

- *Right of privacy*—People have the right to do as they wish in their private lives, and they have the right to control what they reveal about private activities. One way an employer respects this right is by keeping employees' personal records confidential.
- *Right of freedom of conscience*—People have the right to refuse to do what violates their moral beliefs, as long as these beliefs reflect commonly accepted norms. A supervisor who demands that an employee do something that is unsafe or environmentally damaging may be violating this right if the task conflicts with the employee's values. (Such behavior could be illegal as well as unethical.)
- *Right of freedom of speech*—People have the right to criticize an organization's ethics, if they do so in good conscience and their criticism does not violate the rights of individuals in the organization. Many organizations address this right by offering hot lines or policies and procedures designed to handle complaints from employees.
- *Right to due process*—If people believe their rights are being violated, they have the right to a fair and impartial hearing. As we will see in Chapter 3, Congress has addressed this right in some circumstances by establishing agencies to hear complaints when employees believe their employer has not provided a fair hearing. For example, the Equal Employment Opportunity Commission may prosecute complaints of discrimination if it believes the employer did not fairly handle the problem.

One way to think about ethics in business is that the morally correct action is the one that minimizes encroachments on and avoids violations of these rights.

Organizations often face situations in which the rights of employees are affected. In particular, the right of privacy of health information has received much attention in recent years. Computerized record keeping and computer networks have greatly increased the ways people can gain (authorized or unauthorized) access to records about individuals. Health-related records can be particularly sensitive. HRM responsibilities include the ever growing challenge of maintaining confidentiality and security of employees health information as required by the Health Insurance Portability and Accountability Act (HIPAA).

## Standards for Ethical Behavior

Ethical, successful companies act according to four principles.<sup>15</sup> First, in their relationships with customers, vendors, and clients, ethical and successful companies emphasize mutual benefits. Second, employees assume responsibility for the actions of the company. Third, such companies have a sense of purpose or vision that employees value and use in their day-to-day work. Finally, they emphasize fairness; that is, another person's interests count as much as their own.

Cisco Systems has made a commitment to ensure that every employee takes responsibility for ethical behavior. The computer-networking company spells out its values in a detailed code of conduct that includes maintaining a safe and respectful workplace, avoiding conflicts of interest, exercising social responsibility, and protecting company assets, including proprietary information. All employees are required to follow the requirements of the code; each year, employees are asked to sign an acknowledgment that they have received the latest version of the code, so everyone knows what is expected. That information includes guidelines on how to make an ethical decision, answers to a variety of "what if?" questions aimed at helping employees address particular, sticky situations, and information on where to go for help in resolving ethical conflicts or reporting questionable behavior. Cisco also hired a contractor called The Network to help develop an online ethics training program that would give employees an engaging experience with the topic. The training, styled after *American Idol*, features cartoon characters singing lyrics that describe a variety of workplace ethical dilemmas. Instead of critiquing their vocal style, the cartoon judges offer possible ways to handle the situation described, and employees vote on which judge's answer was best. Then they can see how other employees voted and what the official Cisco policy is. The training program was based on input from human resources and other departments with insights into ethical business policies and practices.<sup>16</sup>

For human resource practices to be considered ethical, they must satisfy the three basic standards summarized in Figure 1.5.<sup>17</sup> First, HRM practices must result in the greatest good for the largest number of people. Second, employment practices must respect basic human rights of privacy, due process, consent, and free speech. Third, managers must treat employees and customers equitably and fairly. These standards are most vexing when none of the alternatives in a situation meet all three of them. For instance, the supervisor of a clinical laboratory struggled with an ethical conflict when a technologist insisted that she would not perform pregnancy tests from a crisis pregnancy clinic, on the grounds that women who received positive results would have abortions, which would violate the ethical norms of the technologist. The dilemma for the supervisor was how to balance the employee's right to freedom



**Figure 1.5**Standards for Identifying  
Ethical Practices

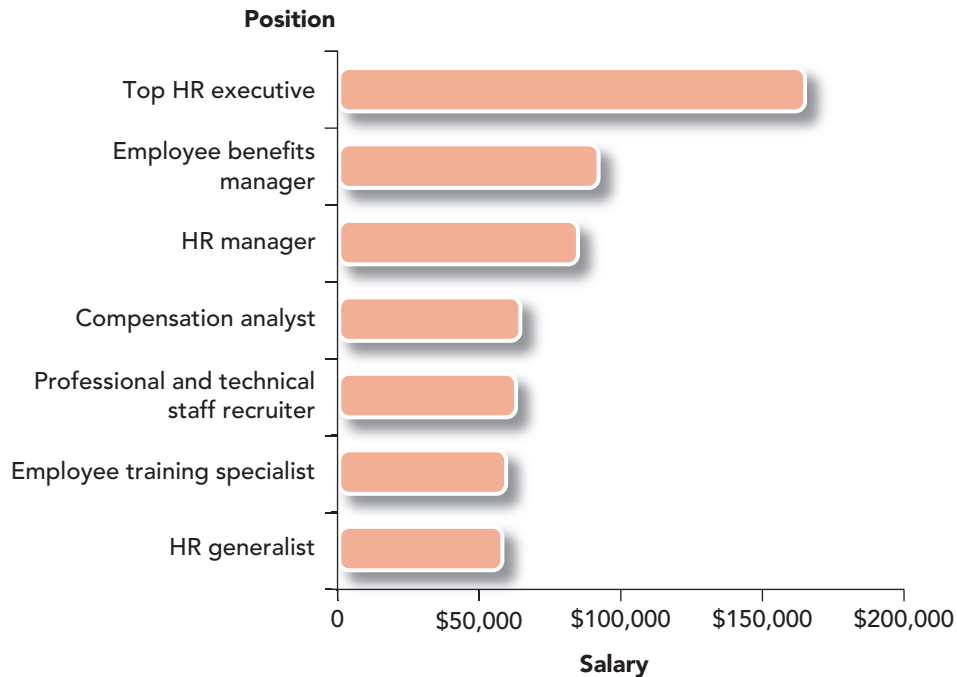
of conscience against the laboratory's obligation to serve its customers fairly and to allocate work equitably and efficiently among its employees. Arriving at an ethical solution could require this supervisor to evaluate job requirements carefully. Perhaps redesigning jobs or reassigning employees would enable the technologist to meet her own ethical standards without harming the lab's efficiency—possibly even improving it or expanding some employees' skills. Whether or not such goals are possible, ethics would require the supervisor to be clear and respectful in reviewing the job requirements with the technologist (without critiquing the technologist's personal views) so that this employee can decide whether to remain in her position with the laboratory.<sup>18</sup> The company's human resource staff should be able to help the supervisor carry out these responsibilities.

**LO6** Describe typical careers in human resource management.

## Careers in Human Resource Management

There are many different types of jobs in the HRM profession. Figure 1.6 shows selected HRM positions and their salaries. The salaries vary depending on education and experience, as well as the type of industry in which the person works. As you can see from Figure 1.6, some positions involve work in specialized areas of HRM such as recruiting, compensation, or employee benefits. Usually, HR generalists make between \$50,000 and \$80,000, depending on their experience and education level. Generalists usually perform the full range of HRM activities, including recruiting, training, compensation, and employee relations.

The vast majority of HRM professionals have a college degree, and many also have completed postgraduate work. The typical field of study is business (especially human resources or industrial relations), but some HRM professionals have degrees in the social sciences (economics or psychology), the humanities, and law programs. Those who have completed graduate work have master's degrees in HR management, business management, or a similar field. This is important because to be successful in HR, you need to speak the same language as people in the other business functions.

**Figure 1.6**

Median Salaries for HRM Positions

SOURCE: Based on J. Dooney and E. Esen, "HR Salaries Weaken with the Economy," *HR Magazine's 2009 HR Trendbook* (Alexandria, VA: Society for Human Resource Management, 2009), p. 14.

You have to have credibility as a business leader, so you must be able to understand finance and to build a business case for HR activities.

HR professionals can increase their career opportunities by taking advantage of training and development programs. Valero Energy Corporation encourages its HR managers to earn certificates in general management through a local executive MBA program. The company pays the tuition so its HR leaders will understand business basics well enough to discuss issues like finance and value creation with other managers at Valero.<sup>19</sup>

Some HRM professionals have a professional certification in HRM, but many more are members of professional associations. The primary professional organization for HRM is the Society for Human Resource Management (SHRM). SHRM is the world's largest human resource management association, with more than 250,000 professional and student members throughout the world. SHRM provides education and information services, conferences and seminars, government and media representation, and online services and publications (such as *HR Magazine*). You can visit SHRM's Web site to see their services at [www.shrm.org](http://www.shrm.org).

## Organization of This Book

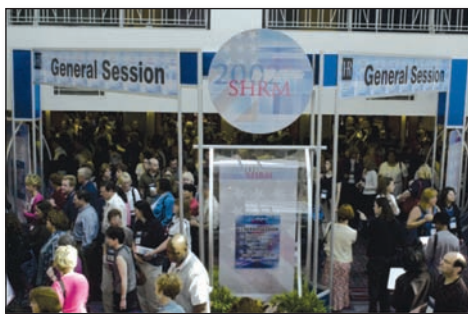
This chapter has provided an overview of human resource management to give you a sense of its scope. In this book, the topics are organized according to the broad areas of human resource management shown in Table 1.3. The numbers in the table refer to the part and chapter numbers.

Part 1 discusses aspects of the human resource environment: trends shaping the field (Chapter 2), legal requirements (Chapter 3), and the work to be done by the

**Table 1.3****Topics Covered in This Book**

I. The Human Resource Environment
2. Trends in Human Resource Management
3. Providing Equal Employment Opportunity and a Safe Workplace
4. Analyzing Work and Designing Jobs
II. Acquiring and Preparing Human Resources
5. Planning For and Recruiting Human Resources
6. Selecting Employees and Placing Them in Jobs
7. Training Employees
III. Assessing Performance and Developing Employees
8. Managing Employees' Performance
9. Developing Employees for Future Success
10. Separating and Retaining Employees
IV. Compensating Human Resources
11. Establishing a Pay Structure
12. Recognizing Employee Contributions with Pay
13. Providing Employee Benefits
V. Meeting Other HR Goals
14. Collective Bargaining and Labor Relations
15. Managing Human Resources Globally
16. Creating and Maintaining High-Performance Organizations

organization, which is the basis for designing jobs (Chapter 4). Part 2 explores the responsibilities involved in acquiring and preparing human resources: HR planning and recruiting (Chapter 5), selection and placement of employees (Chapter 6), and training (Chapter 7). Part 3 turns to the assessment and development of human resources through performance management (Chapter 8) and employee development (Chapter 9), as well as appropriate ways to handle employee separation when the organization determines it no longer wants or needs certain employees (Chapter 10). Part 4 addresses topics related to compensation: pay structure (Chapter 11), pay to recognize performance (Chapter 12), and benefits (Chapter 13). Part 5 explores special topics faced by HR managers today: human resource management in organizations where employees have or are seeking union representation (Chapter 14), international human resource management (Chapter 15), and high-performance organizations (Chapter 16).



SHRM provides education, information services (such as this conference), seminars, government and media representation, and online services and publications.

Along with examples highlighting how HRM helps a company maintain high performance, the chapters offer various other features to help you connect the principles to real-world situations. “Best Practices” boxes tell success stories related to the chapter’s topic. “HR Oops!” boxes identify situations gone wrong and invite you to find better alternatives. “HR How To” boxes provide details about how to carry out a practice in each HR area. “Did You Know?” boxes are snapshots of interesting statistics related to chapter topics. Many chapters also include an “eHRM” box identifying ways that human resource professionals are applying information technology and the Internet to help their organizations excel in the fast-changing modern world. The “Focus on Social Responsibility” icon provided in the margin identifies in-text examples of companies’ commitment to meeting the needs of their stakeholders.



## thinking ethically

### WHO'S RESPONSIBLE FOR YOUR COMPANY'S REPUTATION?

In a recent poll, almost 7 out of 10 Americans rated the reputation of American companies as either “not good” or “terrible.” But they did identify some firms they thought had good reputations. Ranked among the best were Microsoft, Johnson & Johnson, and 3M Corporation. Respondents admired companies that focused on quality, were environmentally responsible, and were engaged in activities that helped the needy. Philanthropy by Microsoft’s founder, Bill Gates, helped put his company in first place.

Companies that act on a belief they should go beyond legal requirements to demonstrate concern for the environment, labor issues, and human rights are often called “socially responsible.” For some companies, an important area of social responsibility is clean water—protecting water resources and/or making clean water available where the companies make or sell their products. The Beck Group, which designs and builds commercial structures, uses its employees to serve as volunteers who build wells (and also schools and other structures) in poor communities in Latin America. The HR department assists in identifying employees with the skills needed for particular projects. Nestlé India

teaches hygiene programs and has built wells at village schools near Nestlé factories and in rural areas that supply the company with milk. Along with doing good, Nestlé expects that such efforts help it ensure safe water for its suppliers.

SOURCES: Ronald Alsop, “How Boss’s Deeds Buff a Firm’s Reputation,” *Wall Street Journal*, January 31, 2007, <http://online.wsj.com>; Beckey Bright, “Managing Corporate Social Responsibility,” *Wall Street Journal*, March 3, 2007, <http://online.wsj.com>; and Aliah D. Wright, “Dive into Clean Water,” *HR Magazine*, June 2009, pp. 76–80.

### Questions

1. Should social responsibility be a matter of business strategy (deciding whether the practices will boost profits in the long term), ethics (deciding whether the practices are morally right), or both? Why?
2. Review the functions and responsibilities of human resource management, and identify areas where HRM might contribute to social responsibility. In deciding whether to take a socially responsible approach in each of these areas, consider what ethical principles you could apply.

## SUMMARY

**LO1** Define human resource management, and explain how HRM contributes to an organization’s performance.

Human resource management consists of an organization’s “people practices”—the policies, practices, and systems that influence employees’ behavior, attitudes, and performance. HRM influences who works for the organization and how those people work. These human resources, if well managed, have the potential to be a source of sustainable competitive advantage, contributing to basic objectives such as quality, profits, and customer satisfaction.

**LO2** Identify the responsibilities of human resource departments.

By carrying out HR activities or supporting line management, HR departments have responsibility for a variety of functions related to acquiring and managing employees. The HRM process begins with analyzing and designing jobs, then recruiting and selecting employees to fill those jobs. Training and development equip employees to carry out their

present jobs and follow a career path in the organization. Performance management ensures that employees’ activities and outputs match the organization’s goals. Human resource departments also plan and administer the organization’s pay and benefits. They carry out activities in support of employee relations, such as communications programs and collective bargaining. Conducting all these activities involves the establishment and administration of personnel policies. Management also depends on human resource professionals for help in ensuring compliance with labor laws, as well as for support for the organization’s strategy—for example, human resource planning and change management.

**LO3** Summarize the types of skills needed for human resource management.

Human resource management requires substantial human relations skills, including skill in communicating, negotiating, and team development. Human resource professionals also need decision-making skills based on knowledge of the HR field

as well as the organization's line of business. Leadership skills are necessary, especially for managing conflict and change. Technical skills of human resource professionals include knowledge of current techniques, applicable laws, and computer systems.

- LO4 Explain the role of supervisors in human resource management.

Although many organizations have human resource departments, non-HR managers must be familiar with the basics of HRM and their own role with regard to managing human resources. Supervisors typically have responsibilities related to all the HR functions. Supervisors help analyze work, interview job candidates, participate in selection decisions, provide training, conduct performance appraisals, and recommend pay increases. On a day-to-day basis, supervisors represent the company to their employees, so they also play an important role in employee relations.

- LO5 Discuss ethical issues in human resource management.

Like all managers and employees, HR professionals should make decisions consistent with sound

ethical principles. Their decisions should result in the greatest good for the largest number of people; respect basic rights of privacy, due process, consent, and free speech; and treat employees and customers equitably and fairly. Some areas in which ethical issues arise include concerns about employee privacy, protection of employee safety, and fairness in employment practices (for example, avoiding discrimination).

- LO6 Describe typical careers in human resource management.

Careers in human resource management may involve specialized work in fields such as recruiting, training, or labor relations. HR professionals may also be generalists, performing the full range of HR activities described in this chapter. People in these positions usually have a college degree in business or the social sciences. Human resource management means enhancing communication with employees and concern for their well-being, but it also involves a great deal of paperwork and a variety of non-people skills, as well as knowledge of business and laws.

## KEY TERMS

corporate social responsibility, p. 12	human resource management (HRM), p. 2	performance management, p. 8
development, p. 7	human resource planning, p. 11	recruitment, p. 7
ethics, p. 15	job analysis, p. 6	selection, p. 7
evidence-based HR, p. 11	job design, p. 6	stakeholders, p. 12
high-performance work system, p. 4		training, p. 7
human capital, p. 3		

## REVIEW AND DISCUSSION QUESTIONS

- How can human resource management contribute to a company's success?
- Imagine that a small manufacturing company decides to invest in a materials resource planning (MRP) system. This is a computerized information system that improves efficiency by automating such work as planning needs for resources, ordering materials, and scheduling work on the shop floor. The company hopes that with the new MRP system, it can grow by quickly and efficiently processing small orders for a variety of products. Which of the human resource functions are likely to be affected by this change? How can human resource management help the organization carry out this change successfully?
- What skills are important for success in human resource management? Which of these skills are already strengths of yours? Which would you like to develop?
- Traditionally, human resource management practices were developed and administered by the company's human resource department. Line managers are now playing a major role in developing and implementing HRM practices. Why do you think non-HR managers are becoming more involved?
- If you were to start a business, which aspects of human resource management would you want to entrust to specialists? Why?
- Why do all managers and supervisors need knowledge and skills related to human resource management?
- Federal law requires that employers not discriminate on the basis of a person's race, sex, national origin, or age over 40. Is this also an ethical requirement? A competitive requirement? Explain.
- When a restaurant employee slipped on spilled soup and fell, requiring the evening off to recover, the owner

realized that workplace safety was an issue to which she had not devoted much time. A friend warned the owner that if she started creating a lot of safety rules and procedures, she would lose her focus on customers and might jeopardize the future of the restaurant. The safety problem is beginning to feel like an ethical

dilemma. Suggest some ways the restaurant owner might address this dilemma. What aspects of human resource management are involved?

- Does a career in human resource management, based on this chapter's description, appeal to you? Why or why not?

## BUSINESSWEEK CASE

### BusinessWeek Rebuilding Competitive Advantage

As the U.S. economy moves from recession to recovery, businesses are obsessively focused on risk management, cost containment, supply-chain sustainability, resource efficiency, and maintaining their competitive edge.

Yet a company's success—or lack thereof—in any or all of these areas will be moot unless it recognizes and deals with its vulnerabilities related to retention and succession. Business results will be predicated by an organization's approach to executive talent management.

Bill Conaty, who spent four decades in human resources leadership roles at General Electric (GE), effectively synthesized this agenda. He stated that gaining a decided advantage over the competition starts with attracting the right talent to the organization.

He added that companies must also invest in executive talent development, assessment, and retention because they're just as critical to business performance. The market leaders in any industry recognize that attracting and developing the best executive talent is a continual, institutional priority, no matter what the economic environment, Conaty said. He pointed out that development needs—even for people at the most senior level—are not fatal flaws for a corporation or an individual unless they go unaddressed.

Claudio Fernández-Aráoz of Egon Zehnder International says that despite [today's high] unemployment numbers, companies still need to focus on attracting superior executives because demographics already indicate that the number of managers in the right age bracket for leadership roles will drop by 30 percent in just six years.

"Companies need to beef up their ability to attract great leaders," Fernández-Aráoz contends. "While over the long run companies should focus on becoming more attractive by developing the type of culture, environment and team that outstanding executives want to join, they also need to immediately focus on winning the coming fight for executive talent one leader at a time." And that's not just about money.

Companies can attract superior talent by demonstrating active support for the candidate's interests, describing

the role realistically, and involving the hiring manager (not just HR) in closing the deal, he adds. Further, by enlisting the involvement of C-level executives while recruiting for top positions and ensuring that compensation for a new recruit is fair to current employees, companies can more effectively integrate new leaders.

When it comes to assessing executive talent, Sumner Redstone, majority owner and chairman of the board of his family controlled National Amusements, Inc., and majority owner of CBS Corp. and Viacom, told me recently during an exclusive interview that it all comes down to his "Three C's."

"I insist that anyone I'll hire, particularly an executive, bring what I call the 'Three C's.' That's competence, commitment, and the most important one, character," Redstone said. "Without character, I'm not interested in their competence or commitment."

The final piece of building, rebuilding, or maintaining a company's prized management advantage over the competition is retaining the best executives.

Former Medtronic CEO Bill George offers his own advice. To keep your top business leaders onboard, George says you have to challenge them. "Put them in tough jobs. Make them responsible for something. Promote young people; flatten the organization; and give people opportunities to lead right now and they'll stay with you and be true to you."

Exceptional companies, he believes, must reward business leaders for their performance and not simply reward their decision to stay with the company.

SOURCE: Excerpted from Joseph Daniel McCool, "How Companies Rebuild Competitive Advantage," *BusinessWeek*, February 24, 2010, <http://www.businessweek.com>.

### Questions

- Which functions of human resources management are described in this case? Which are missing? In what ways, if any, are the missing functions relevant to building competitive advantage, too?
- The writer and people interviewed talk about competitive advantage coming from the qualities of a company's top executives. To what extent do these principles apply to middle managers, supervisors, and nonmanagement employees?

3. Imagine that you are an HR manager in a company that has been struggling to stay profitable during the past two years. Your company's executives have been focused mainly on cutting costs and landing orders. Write a paragraph making the case for why your

company's executives should also be concerned about developing talent at this time. Keep in mind that they may not see any money being available for hiring new people or training current employees.

## Case: Can The TSA Secure Top-Flight Performance?

If you've flown in the United States recently, you've passed through security checkpoints staffed by the Transportation Security Administration, a federal agency created in November 2001 to protect all modes of transportation. TSA agents are best known for scanning baggage and screening persons headed for gates in the nation's airports. Most travelers appreciate the concern for safety following the 2001 terrorist attacks, but many also grumble about times they have encountered a TSA employee who was unpleasant or seemed capricious in enforcing rules.

For its part, TSA management has been challenged to maintain a workforce that is knowledgeable, well qualified, ethical, and vigilant about identifying risky persons and behavior. Occasional news reports have identified lapses such as items stolen from luggage (perhaps when TSA agents are inspecting checked bags) and claims that security screeners have cheated on tests of their ability to spot smuggled weapons.

In a recent year, TSA received about 1,400 claims each month for lost, stolen, or damaged items, affecting a small share of the 55 million passengers who travel in a month. Occasionally, a TSA employee is implicated in baggage thefts. TSA, like the airlines, tries to avoid such problems by conducting background checks of prospective employees. In addition, policies call for firing any employee caught stealing. The TSA also has tried to minimize the problem through job design: it has been installing automated systems to minimize human contact with most baggage, and it has installed surveillance cameras to monitor agents who search items in baggage.

Cheating on security tests is another problem that raises ethics questions. One report said agents at airports in San Francisco and Jackson, Mississippi, allegedly were tipped off about undercover tests to be conducted. According to the allegations, TSA employees described to screeners the undercover agents, the type of weapons they would attempt to smuggle through checkpoints, and the way the weapons would be hidden.

What is the TSA doing to improve the professionalism of its employees? Many of the efforts involve human resource management. One practice involves the design of jobs. TSA wants employees to see themselves not just as "screeners" who sit in airports but as part of a larger law

enforcement effort. So screener job titles were eliminated and replaced with the term *security officers*, and career paths were developed. The agency also improved its training in job tasks such as interpreting X-rays and searching property. It added performance-based pay to its compensation plan, so high-performing employees are rewarded in a practical way. Such changes have helped reduce employee turnover substantially. A survey also found greater job satisfaction among TSA workers.

These improvements are no small achievement, considering that government agencies have tended to lag behind many businesses in creating a focus on high performance. In a government agency, which is not ruled by sales and profits, it can be difficult to develop measurable performance outcomes—measuring what individuals and groups actually achieve, rather than merely tracking their day-to-day activities. As a result, employees may not always see how their individual efforts can help the agency achieve broader goals. Without this vision, they have less incentive to excel.

TSA, part of the Department of Homeland Security (DHS), has tried to become an exception, a performance-oriented government agency. Marta Perez, chief human capital officer of DHS, says TSA defined its overall objective as "to deploy layers of security to protect the traveling public and the nation's transportation system." To achieve that objective, the agency set specific goals for individual airports, including goals to improve the efficiency and effectiveness of airport screening, as well as safety targets. For example, one goal is that the wait time for 80 percent of the passengers going through airport security should be 10 minutes or less. Individuals at each airport have specific goals aimed at achieving the airport's overall goals. According to Perez, the goals help employees and managers talk about what is expected and how they will be evaluated.

SOURCES: Mark Schoeff Jr., "TSA Sees Results from Revamped People Practices," *Workforce Management*, December 11, 2006, p. 20; Bill Trahan, "Realizing a Performance Culture in Federal Agencies," *Public Manager*, Fall 2007, pp. 45–50; Thomas Frank, "Investigation Looks at Airport-Screener Testing," *USA Today*, October 5, 2007, General Reference Center Gold, <http://find.galegroup.com>; and Kelly Yamanouchi, "Airports Target Luggage Thieves," *Atlanta Journal-Constitution*, October 4, 2009, Business & Company Resource Center, <http://galenet.galegroup.com>.

### Questions

1. Which, if any, of the HR practices described in this case do you think can contribute to greater efficiency and effectiveness of TSA employees? What other practices would you recommend?
2. Which, if any, of the HR practices described in this case do you think can contribute to ethical behavior by TSA employees? What other practices would you recommend?



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### Review

- Chapter learning objectives
- Test Your Knowledge: What Do You Know about HRM?

### Application

- Manager's Hot Seat segment: "Ethics, Let's Make a Fourth Quarter Deal"
- Video case and quiz: "Creative Corporation"
- Self-Assessments: Do You Have What It Takes for a Career in HR? and Assessing Your Ethical Decision-Making Skills
- Web exercise: Society for Human Resource Management
- Small-business case: Managing HR at a Services Firm

### Practice

- Chapter quiz

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