

LEARNING OBJECTIVES

1. Explain what human resource management is and how it relates to the management process.
2. Show with examples why human resource management is important to all managers.
3. Illustrate the human resources responsibilities of line and staff (HR) managers.
4. Briefly discuss and illustrate each of the important trends influencing human resource management.
5. List and briefly describe important traits of today's human resource managers.
6. Define and give an example of evidence-based human resource management.
7. Outline the plan of this book.

Most L.L.Bean customers find its customer service staff to be knowledgeable, helpful, and understanding. Its managers know that courteous, expert workers are the key to such customer service, and that it takes the right human resource practices to attract and cultivate such employees. The company knows what it's looking for. Its Web site says candidates should be Friendly, Dependable, Helpful & Authentic; Trustworthy & Honest; Experienced & Innovative; Outdoor Oriented & Environmentally Aware; and want to have Fun.¹ The company uses an array of human resource practices, including competitive pay, cash performance bonuses, multiple medical and insurance plans, and "outdoor experience days" to attract and cultivate such employee behaviors.² The success of L.L.Bean's customer service strategy depends on its human resource management practices.

Access a host of interactive learning aids at www.mymanagementlab.com to help strengthen your understanding of the chapter concepts.



WHERE ARE WE NOW . . .

The purpose of this chapter is to explain what human resource management is, and why it's important to all managers. We'll see that human resource management activities such as hiring, training, appraising, compensating, and developing employees are part of every manager's job. And we'll see that human resource management is also a separate function, usually with its own human resource or "HR" manager. The main topics we'll cover include the meaning of human resource management; why human resource management is important to all managers, global and competitive trends, human resource management trends, and the plan of this book. The framework above (which introduces each chapter) makes this point: That the firm's HR policies and practices should produce the employee skills and behaviors the company needs to achieve its strategic aims.

1 Explain what human resource management is and how it relates to the management process.

WHAT IS HUMAN RESOURCE MANAGEMENT AND WHY IS IT IMPORTANT?

What Is Human Resource Management?

L.L.Bean is an *organization*. An **organization** consists of people with formally assigned roles who work together to achieve the organization's goals. A **manager** is the person responsible for accomplishing the organization's goals, who does so by managing the efforts of the organization's people.

Most experts agree that *managing* involves five functions: planning, organizing, staffing, leading, and controlling. In total, these functions represent the **management process**. Some of the specific activities involved in each function include:

- **Planning.** Establishing goals and standards; developing rules and procedures; developing plans and forecasting.
- **Organizing.** Giving each subordinate a specific task; establishing departments; delegating authority to subordinates; establishing channels of authority and communication; coordinating subordinates' work.
- **Staffing.** Determining what type of people you should hire; recruiting prospective employees; selecting employees; training and developing employees; setting performance standards; evaluating performance; counseling employees; compensating employees.
- **Leading.** Getting others to get the job done; maintaining morale; motivating subordinates.
- **Controlling.** Setting standards such as sales quotas, quality standards, or production levels; checking to see how actual performance compares with these standards; taking corrective action, as needed.

In this book, we are going to focus on one of these functions—the staffing, personnel management, or *human resource management (HRM) function*. **Human resource management** is the process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health and safety, and fairness concerns. The topics we'll discuss should therefore provide you with the concepts and techniques you need to perform the “people” or personnel aspects of your management job. These include:

- *Conducting job analyses* (determining the nature of each employee's job)
- *Planning labor needs and recruiting* job candidates
- *Selecting* job candidates
- *Orienting and training* new employees
- *Managing wages and salaries* (compensating employees)
- *Providing incentives and benefits*
- *Appraising performance*
- *Communicating* (interviewing, counseling, disciplining)
- *Training and developing* managers
- *Building employee commitment*

And what a manager should know about:

- Equal opportunity and affirmative action
- Employee health and safety
- Handling grievances and labor relations

2 Show with examples why human resource management is important to all managers.

Why Is Human Resource Management Important to All Managers?

These concepts and techniques important to all managers for several reasons.

AVOID PERSONNEL MISTAKES First, having a command of this knowledge will help you avoid the sorts of personnel mistakes you *don't* want to make while managing. For example, no manager wants to:

- Hire the wrong person for the job
- Experience high turnover
- Have your people not doing their best
- Waste time with useless interviews
- Have your company taken to court because of your discriminatory actions
- Have your company cited under federal occupational safety laws for unsafe practices
- Have some employees think their salaries are unfair relative to others in the organization
- Allow a lack of training to undermine your department's effectiveness
- Commit any unfair labor practices

Carefully studying this book will help you avoid mistakes like these.

IMPROVE PROFITS AND PERFORMANCE Similarly, effective human resource management can help ensure that you get results—through people. Remember that you can do everything else right as a manager—lay brilliant plans, draw clear organization charts, set up world-class assembly lines, and use sophisticated accounting controls—but still fail, by hiring the wrong people or by not motivating subordinates. On the other hand, many managers—presidents, generals, governors, supervisors—have been successful even with inadequate plans, organizations, or controls. They were successful because they had the knack of hiring the right people for the right jobs and motivating, appraising, and developing them. Remember as you read this book that *getting results* is the bottom line of managing, and that, as a manager, you will have to get those results through people. As one company president summed up:

For many years, it has been said that capital is the bottleneck for a developing industry. I don't think this any longer holds true. I think it's the work force and the company's inability to recruit and maintain a good work force that does constitute the bottleneck for production. I don't know of any major project backed by good ideas, vigor, and enthusiasm that has been stopped by a shortage of cash. I do know of industries whose growth has been partly stopped or hampered because they can't maintain an efficient and enthusiastic labor force, and I think this will hold true even more in the future.³

Indeed, we'll see that because of global competition, technological advances, and the changing nature of work, that president's statement has never been truer than it is today.

organization

People with formally assigned roles who work together to achieve the organization's goals.

manager

The person responsible for accomplishing the organization's goals, and who does so by managing (planning, organizing, staffing, leading, and controlling) the efforts of the organization's people.

management process

The five basic functions of planning, organizing, staffing, leading, and controlling.

human resource management (HRM)

The process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health and safety, and fairness concerns.

YOU TOO MAY SPEND SOME TIME AS AN HR MANAGER Here is a third reason to be familiar with this book's contents. You may well make a planned (or unplanned) stopover as a human resource manager. For example, Pearson Corporation (which publishes this book) recently promoted the head of one of its publishing divisions to chief human resource executive at its corporate headquarters. After General Motors emerged from bankruptcy a few years ago, it replaced its human resource director with Mary Barra, GM's vice president for global manufacturing engineering, an executive with no human resource management experience.⁴ One survey found that about one-fourth of large U.S. businesses appointed managers with no human resource management experience as their top human resource executives. Reasons given include the fact that these people may give the firms' HR efforts a more strategic emphasis, and the possibility that they're sometimes better equipped to integrate the firm's human resource efforts with the rest of the business.⁵

However, most top human resource executives do have prior human resource experience. About 80% of those in one survey worked their way up within HR.⁶ About 17% of these HR executives had earned the Human Resource Certification Institute's Senior Professional in Human Resources (SPHR) designation, and 13% were certified Professionals in Human Resources (PHR). The Society for Human Resource Management (SHRM) offers a brochure describing alternative career paths within human resource management. Find it at www.shrm.org/Communities/StudentPrograms/Documents/07-0971%20Careers%20HR%20Book_final.pdf.

HR FOR ENTREPRENEURS Finally, another reason to study this book is that you might end up as your own human resource manager. More than half the people working in the United States—about 68 million out of 118 million—work for small firms. Small businesses as a group also account for most of the 600,000 or so new businesses created every year. Statistically speaking, therefore, most people graduating from college in the next few years either will work for small businesses or will create new small businesses of their own. Especially if you are managing your own small firm with no human resource manager, you'll have to understand the nuts and bolts of human resource management.⁷ We'll specifically address HR for entrepreneurs in Chapter 18.

3 Illustrate the human resources responsibilities of line and staff (HR) managers.

Line and Staff Aspects of Human Resource Management

All managers are, in a sense, human resource managers, because they all get involved in recruiting, interviewing, selecting, and training their employees. Yet most firms also have human resource departments with their own top managers. How do the duties of this human resource manager and department relate to the human resource duties of sales and production and other managers? Answering this requires a short definition of line versus staff authority.

Authority is the right to make decisions, to direct the work of others, and to give orders. Managers usually distinguish between line authority and staff authority.

In organizations, having what managers call **line authority** traditionally gives managers the right to *issue orders* to other managers or employees. Line authority therefore creates a superior (order giver)—subordinate (order receiver) relationship. When the vice president of sales tells her sales director to “get the sales presentation ready by Tuesday,” she is exercising her line authority. **Staff authority** gives a manager the right to *advise* other managers or employees. It creates an advisory relationship. When the human resource manager suggests that the plant manager use a particular selection test, he or she is exercising staff authority.

On the organization chart, managers with line authority are **line managers**. Those with staff (advisory) authority are **staff managers**. In popular usage, people tend to associate line managers with managing departments (like sales or production) that are crucial for the company's survival. Staff managers generally run departments that are advisory or supportive, like purchasing, and human resource management. Human resource managers are usually staff managers. They assist and advise line managers in areas like recruiting, hiring, and compensation.



Source: Fotolia.

Line authority gives the manager the right to issue orders.

Line Managers' Human Resource Duties

However, line managers still have many human resource duties. This is because the direct handling of people has always been part of every line manager's duties, from president down to first-line supervisors. For example, one major company outlines its line supervisors' responsibilities for effective human resource management under these general headings:

1. Placing the right person in the right job
2. Starting new employees in the organization (orientation)
3. Training employees for jobs that are new to them
4. Improving the job performance of each person
5. Gaining cooperation and developing smooth working relationships
6. Interpreting the company's policies and procedures
7. Controlling labor costs
8. Developing the abilities of each person
9. Creating and maintaining department morale
10. Protecting employees' health and physical condition

In small organizations, line managers may carry out all these personnel tasks unassisted. But as the organization grows, they need the assistance, specialized knowledge, and advice of a separate human resource staff. The human resource department provides this specialized assistance.

Human Resource Manager's Duties

In providing this specialized assistance, the *human resource manager* carries out three distinct functions:

1. **A line function.** The human resource manager directs the activities of the people in his or her own department, and perhaps in related areas (like the plant cafeteria).
2. **A coordinative function.** The human resource manager also coordinates personnel activities, a duty often referred to as **functional authority** (or functional control). Here he or she ensures that line managers are implementing the firm's human resource policies and practices (for example, adhering to its sexual harassment policies).
3. **Staff (assist and advise) functions.** Assisting and advising line managers is the heart of the human resource manager's job. He or she *advises* the CEO so the CEO can better understand the personnel aspects of the company's strategic options. HR *assists* in hiring, training, evaluating, rewarding, counseling, promoting, and firing employees. It administers the various benefit programs (health and accident insurance, retirement, vacation, and so on). It helps line managers comply with equal employment and occupational safety laws, and plays an important role in handling grievances and labor relations. It carries out an

authority

The right to make decisions, direct others' work, and give orders.

line authority

The authority exerted by an HR manager by directing the activities of the people in his or her own department and in service areas (like the plant cafeteria).

staff authority

Staff authority gives the manager the right (authority) to advise other managers or employees.

line manager

A manager who is authorized to direct the work of subordinates and is responsible for accomplishing the organization's tasks.

staff manager

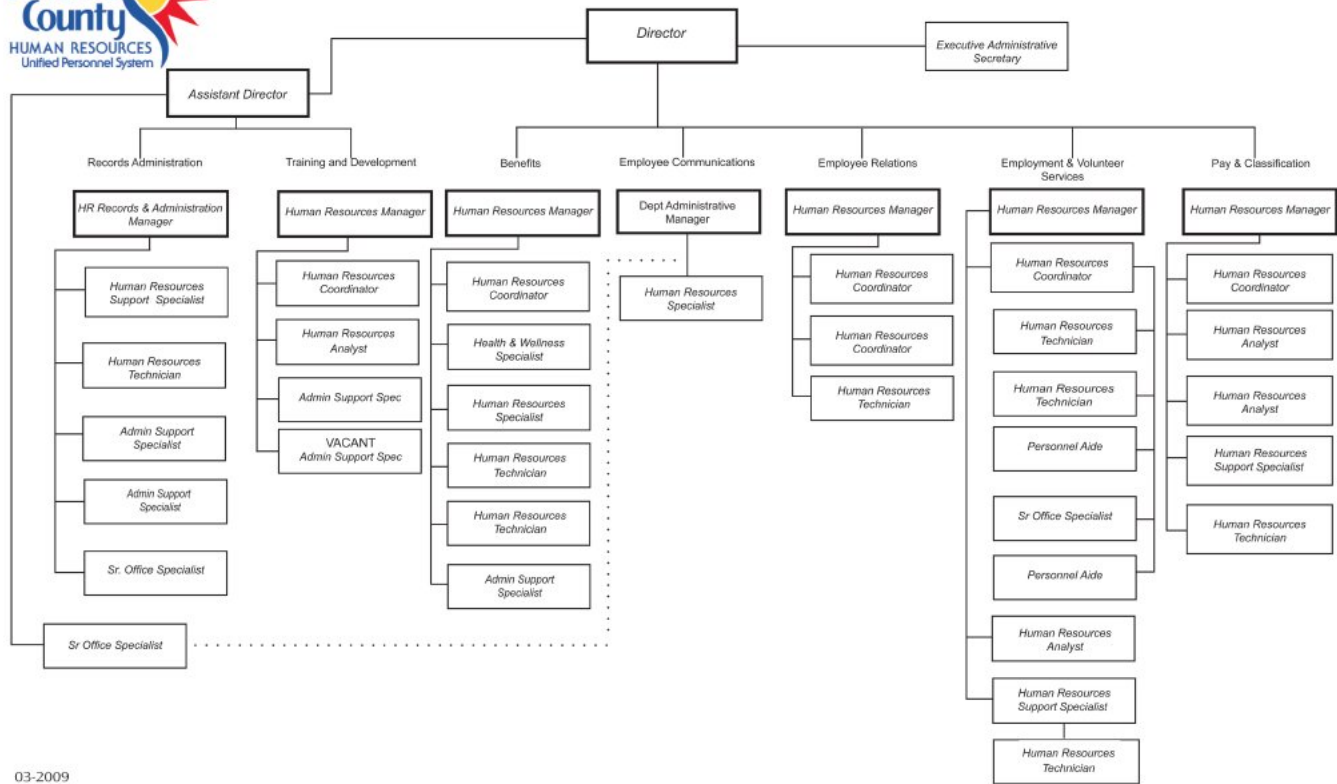
A manager who assists and advises line managers.

functional authority

The authority exerted by an HR manager as coordinator of personnel activities.



HUMAN RESOURCES ORGANIZATION CHART



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FIGURE 1-1 Human Resources Organization Chart

Source: www.co.pinellas.fl.us/persnl/pdf/orgchart.pdf, accessed April 1, 2009. Used with permission of Pinellas County Govt.

innovator role, by providing up-to-date information on current trends and new methods for better utilizing the company's employees (or "human resources"). It plays an *employee advocacy* role, by representing the interests of employees within the framework of its primary obligation to senior management. Although human resource managers generally can't wield line authority (outside their departments), they are likely to exert *implied authority*. This is because line managers know the human resource manager has top management's ear in areas like testing and affirmative action.

The size of the human resource department reflects the size of the employer. For a very large employer, an organization chart like the one in Figure 1-1 would be typical, containing a full complement of specialists for each HR function.

Examples of human resource management specialties include:⁸

- **Recruiters.** Search for qualified job applicants.
- **Equal employment opportunity (EEO) coordinators.** Investigate and resolve EEO grievances; examine organizational practices for potential violations; and compile and submit EEO reports.
- **Job analysts.** Collect and examine information about jobs to prepare job descriptions.
- **Compensation managers.** Develop compensation plans and handle the employee benefits program.
- **Training specialists.** Plan, organize, and direct training activities.
- **Labor relations specialists.** Advise management on all aspects of union–management relations.

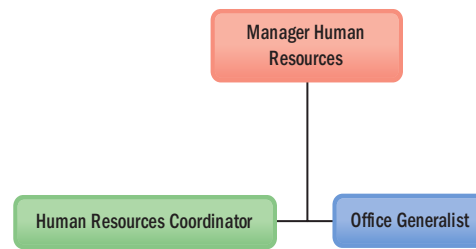


FIGURE 1-2 HR Organization Chart (Small Company)

At the other extreme, the human resource team for a small manufacturer may contain just five or six (or fewer) staff, and have an organization similar to that in Figure 1-2. There is *generally* about one human resource employee per 100 company employees.

New Approaches to Organizing HR

Employers are also offering human resource services in new ways. For example, some organize their HR services around four groups: transactional, corporate, embedded, and centers of expertise.⁹

- The *transactional HR* group uses centralized call centers and outsourcing arrangements (such as with benefits advisors) to provide support for day-to-day transactional activities (such as changing benefits plans and employee assistance and counseling). In one survey, about 75% of respondents said their firms were providing transactional, administrative human resource services through such arrangements.¹⁰
- The *corporate HR* group focuses on assisting top management in “top level” big picture issues such as developing and explaining the personnel aspects of the company’s long-term strategic plan.
- The *embedded HR* unit assigns HR generalists (also known as “relationship managers” or “HR business partners”) directly to departments like sales and production. They provide the localized human resource management assistance the departments need.
- The *centers of expertise* are like specialized HR consulting firms within the company—for instance, they provide specialized assistance in areas such as organizational change.

IBM EXAMPLE Randall MacDonald, IBM’s senior vice president of human resources, noted that the traditional human resource organization often isolates HR functions into “silos” such as recruitment, training, and employee relations. He says this silo approach often means there’s no one team of human resource specialists focusing on the needs of specific groups of employees.

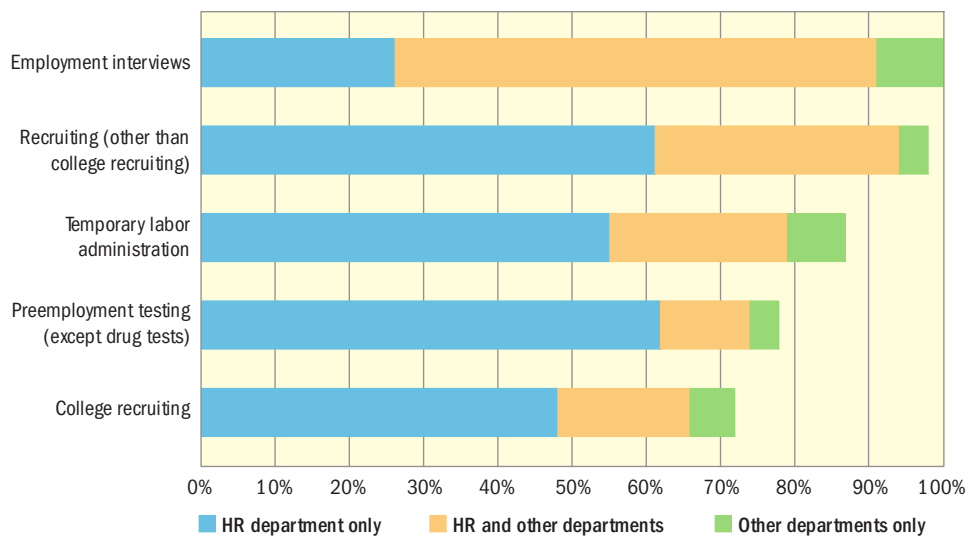
MacDonald therefore reorganized IBM’s human resource function. He segmented IBM’s 330,000 employees into three sets of “customers”: executive and technical employees, managers, and rank and file. Separate human resource management teams (consisting of recruitment, training, and compensation specialists, for instance) now focus on serving the needs of each employee segment. These specialized teams help ensure that the employees in each segment get precisely the talent, learning, and compensation they require to support IBM’s needs.¹¹

Cooperative Line and Staff HR Management: An Example

Because line managers and human resource managers both have human resource management duties, it is reasonable to ask, “Exactly which HR duties are carried out by line managers and which by staff managers?” No one division of responsibilities would apply to all organizations, but we can generalize.

FIGURE 1-3 Employment and Recruiting—Who Handles It? (Percentage of All Employers)

Source: *HR Magazine*, Copyright 2002 by Society for Human Resource Management (SHRM).



The most important generalization is that the line–staff relationship should be cooperative.¹² For example, in recruiting and hiring, the line manager describes the qualifications employees need to fill specific positions. Then the human resource team takes over. They develop sources of qualified applicants, and conduct initial screening interviews. They administer the appropriate tests. Then they refer the best applicants to the line manager, who interviews and selects the ones he or she wants. In training, the line manager again describes what he or she expects the employee to be able to do. Then the human resource team devises a training program, which the line manager then (usually) administers.

Some activities are usually HR's alone. For example, 60% of firms assign to human resources the exclusive responsibility for preemployment testing, 75% assign it college recruiting, and 80% assign it insurance benefits administration. But employers split most activities, such as employment interviews, performance appraisal, skills training, job descriptions, and disciplinary procedures, between HR and line managers.¹³

Figure 1-3 illustrates the typical HR–line management partnership. For example, HR alone typically handles interviewing in about 25% of firms. But in about 60% of firms, HR and the other hiring departments are both involved in interviewing.

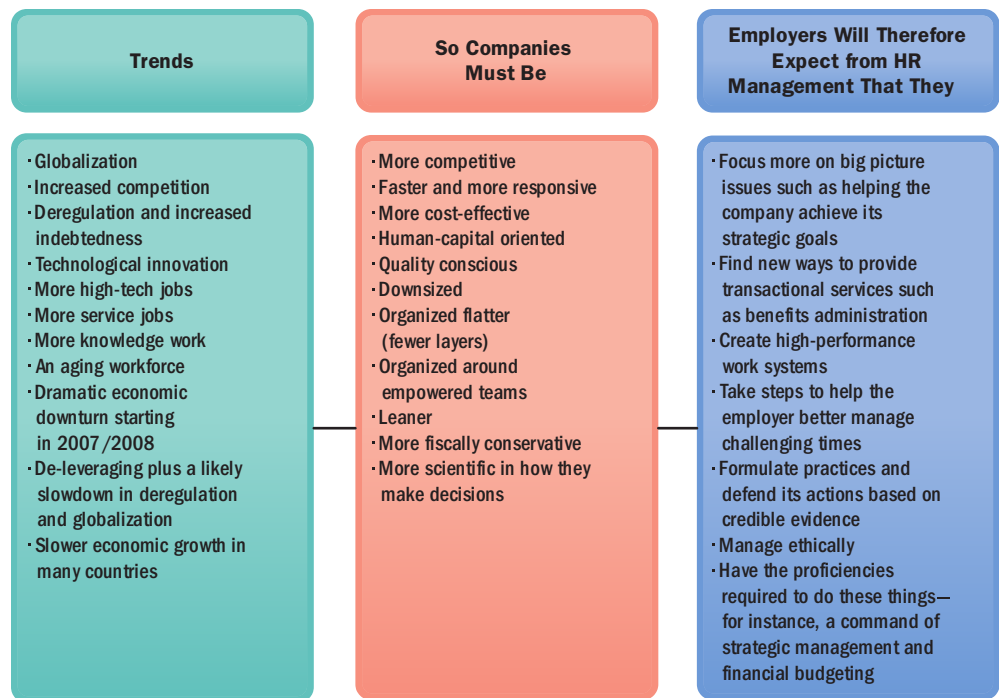
In summary, human resource management is part of every manager's job. Whether you're a first-line supervisor, middle manager, or president—or whether you're a production manager or county manager (or HR manager)—*getting results through people* is the name of the game. And to do this, you will need a good working knowledge of the human resource management concepts and techniques in this book.

4 Briefly discuss and illustrate each of the important trends influencing human resource management.

THE TRENDS SHAPING HUMAN RESOURCE MANAGEMENT

What human resource managers do and how they do it is changing. Some of the reasons for these changes are obvious. One is technology. For example, employers now use their intranets to let employees change their own benefits plans, something they obviously couldn't do years ago. Other trends shaping human resource management include globalization, deregulation, changes in demographics and the nature of work, and economic challenges (summarized in Figure 1-4). Let's look at these trends next.¹⁴

FIGURE 1-4 Trends Shaping Human Resource Management



Globalization and Competition Trends

Globalization refers to the tendency of firms to extend their sales, ownership, and/or manufacturing to new markets abroad. Examples surround us. Toyota produces the Camry in Kentucky, while Dell produces PCs in China. Free trade areas—agreements that reduce tariffs and barriers among trading partners—further encourage international trade. NAFTA (the North American Free Trade Agreement) and the EU (European Union) are examples.

Companies expand abroad for several reasons. *Sales expansion* is one. Walmart is opening stores in South America. Dell, knowing that China will soon be the world's biggest market for PCs, is aggressively selling there.

Firms go abroad for other reasons. Some manufacturers seek *new foreign products* and services to sell, and to *cut labor costs*. Thus, some apparel manufacturers design and cut fabrics in Miami, and then assemble the actual products in Central America, where labor costs are relatively low. Sometimes, it's the prospect of *forming partnerships* that drives firms to do business abroad. When IBM sold its PC division to the Chinese firm Lenovo, it did so partly to cement firmer ties with the booming China market.

For businesspeople, globalization means more competition, and more competition means more pressure to be “world-class”—to lower costs, to make employees more productive, and to do things better and less expensively. As one expert puts it, “The bottom line is that the growing integration of the world economy into a single, huge marketplace is increasing the intensity of competition in a wide range of manufacturing and service industries.”¹⁵ Both workers and companies have to work harder and smarter than they did without globalization.¹⁶

Globalization therefore brings both benefits and threats. For *consumers* it means lower prices and higher quality on products from computers to cars, but for

globalization

The tendency of firms to extend their sales, ownership, and/or manufacturing to new markets abroad.

workers it means the prospect of working harder, and perhaps less secure jobs. Job offshoring—having employees abroad do jobs that Americans formerly did—illustrates this threat. For example, in the next few years, many employers plan to offshore even highly skilled jobs such as sales managers, general managers—and HR managers.¹⁷ (On the other hand, what USA Today calls “A small but growing band of U.S. manufacturers—including giants such as General Electric, NCR, and Caterpillar” are actually “reshoring” jobs—bringing them back to the United States. Reasons range from rising shipping and labor costs abroad to occasional poor quality goods and intellectual property theft abroad.)¹⁸ For business owners, globalization means (potentially) millions of new consumers, but also new and powerful global competitors at home.

For 50 or so years, globalization boomed. For example, the total sum of U.S. imports and exports rose from \$47 billion in 1960, to \$562 billion in 1980, to about \$4.1 trillion in 2010.¹⁹ Economic and political philosophies drove this boom. Governments dropped cross-border taxes or tariffs, formed economic “free trade areas” such as NAFTA, and took other steps to encourage the free flow of trade among countries. The fundamental economic rationale was that by doing so, all countries would gain. And indeed, economies around the world, not just in the United States but also in Europe and Asia, did grow rapidly.

Indebtedness (“Leverage”) and Deregulation

Other trends contributed to this economic growth. Deregulation was one. In many countries, governments stripped away regulations. In the United States and Europe, for instance, the rules that prevented commercial banks from expanding into stock brokering were relaxed. Giant, multinational “financial supermarkets” such as Citibank quickly emerged. As economies boomed, more businesses and consumers went deeply into debt. Homebuyers bought homes, often with little money down. Banks freely lent money to developers to build more homes. For almost 20 years, U.S. consumers actually spent more than they earned. On a grander scale, the United States itself increasingly became a debtor nation. Its balance of payments (exports minus imports) went from a healthy positive \$3.5 billion in 1960, to a not-so-healthy minus \$19.4 billion in 1980 (imports exceeded exports), to a huge \$497 billion deficit in 2010.²⁰ The only way the country could keep buying more from abroad than it sold was by borrowing money. So, much of the boom was built on debt. By 2011, Standard & Poor’s said it would lower the ratings of U.S. sovereign (treasury) bonds, fearing Washington policymakers could not get a handle on the huge indebtedness. Rating agencies had already lowered their ratings on the bonds of countries such as Japan and Greece.



Source: Digital Vision/Thinkstock.

Many blue-collar workers no longer do hard physical labor with dangerous machinery like this. Instead, as explained in the text, Chad Toulouse spends most of his time as a team leader keying commands into computerized machines.

Technological Trends

Everyone knows that technology changed almost everything we do. We use smartphones and iPads to communicate with the office, and to plan trips, manage money, and look for local eateries. We also increasingly use technology for many human resource management-type applications, such as looking for jobs.

Facebook recruiting is one example.²¹ According to Facebook’s Facebookrecruiting site, employers start the process by installing the “Careers Tab” on their Facebook page. Once installed, “companies have a seamless way to recruit and promote job listings from directly within Facebook.”²² Then, after creating a job listing, the employer can advertise its job link using Facebook Advertisements.