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PREFACE

A Framework for Human Resource Management provides students and practicing managers with a concise but thorough review of essential human resource management concepts and techniques in a highly readable and understandable form. Most books in this market (including my *Human Resource Management*, 13th edition, and *Fundamentals of Human Resource Management*, 2nd edition) contain 14–18 chapters and 450–800 large-trim-size pages. In contrast, writing *Framework* is like building a boat in a bottle: My aim is to create a precise and complete but dramatically downsized model of the human resource management body of knowledge by stripping away repetition, long research reviews, and extraneous content such as long company-based chapter openers. The people reading this book are busy, and I want them to be able to focus on learning the core concepts and tools of human resource management.

Adopters use this book in many ways. Many use it as the basic textbook for the human resource management course, sometimes supplementing it with extra cases or human resource management exercises. Others use it with other textbooks in courses that blend several topics (such as HR and organizational behavior), or in specialized courses (such as “HR for Entrepreneurial Companies”). Because *Framework* contains a practical and up-to-date review of essential human resource management concepts and techniques, practicing human resource and line managers use it to update their HR skills and to help prepare for certification exams.

WHAT’S NEW IN THE 7TH EDITION

Given its gratifying acceptance and the 6th edition reviewers’ comments, *Framework 7*’s themes, approach, and outline continue largely unchanged from *Framework 6*. All managers have personnel responsibilities, so I again wrote this book for all managers and management students, not just those who are or will be human resource managers. The book’s basic idea—to provide a concise but thorough review of HR concepts and techniques—is the same. The table of contents is about the same, as is the topic coverage. Adopters can again order a Human Resource Certification Institute guide. There are again *five comprehensive cases* that I wrote at the end of the book, in addition to the end-of-chapter case incidents. However, I also made seven main changes to this 7th edition, as follows.

1. **Dozens of new topics.** For example, you’ll find expanded treatments of reliability, validity, generalizability, utility, person-job fit, and bias. Dozens of other new topics appear throughout the book, including using the standard deviation rule in equal employment compliance, retaliation, job satisfaction and withdrawal, managing voluntary turnover, management’s willingness to take a strike, cross training, and job hazard analysis.
2. **Expanded coverage of strategic human resource management in Chapter 1**, including discussions of HR Scorecards and strategy maps.
3. **A new boxed feature, *HR as a Profit Center***, in most chapters. These *HR as a Profit Center* features present actual examples of how human resource managers added measurable value to their companies. In addition, continuing their use from the 6th edition, the separate *HR in Practice* features provide all managers—not just HR managers—with actionable HR tools and guidelines.

4. **A completely revised Chapter 8, now titled Managing Employee Ethics, Engagement, Retention, and Fair Treatment**, which includes discussions of employee engagement, withdrawal, and retention, as well as managing ethics, and a **new presentation (in Chapter 7) of how to create a market-competitive pay structure**.
5. **Expanded treatment of Career Management** in Chapter 6 (Performance Management, Appraisals, and Careers) **and of the ADDIE training process** in Chapter 5 (Training and Developing Employees).
6. **A new end-of-book module on Practical HR Tools for Managers**, focusing on nuts-and-bolts human resource management tools, guidelines, and systems all managers can use, for instance, to comply with EEOC interview question guidelines. This module replaces the 6th edition's *International HR module*, with international HR issues still covered in special boxed features in most chapters.
7. **Nine new videos** with discussion questions and a synopsis for each video included at the end of each part of the textbook.

Websites to which we refer in the text sometimes change or are discontinued because companies change names, are bought or sold, merge, or fail. They were accurate when we put the book into production. We apologize in advance for any inconvenience.

One

Managing Strategic Human Resources Today

When you finish studying this chapter you should be able to:

- Answer the question “What is human resource management?”
- Discuss the trends affecting human resource management.
- Describe important competencies human resource managers need today.
- Explain and give examples of strategic human resource management.
- Discuss three strategic management tools managers use.

OVERVIEW

If you've eaten at a restaurant where the food is overcooked or the wait staff seems inept, then you already know something about human resource management. Human resource management includes tasks like selecting, training, and appraising employees. The main purpose of this chapter is to explain what human resource management is, and why it is important to all managers. We will see that human resource management—activities like recruiting, hiring, training, appraising, and compensating employees—is both a separate management function as well as part of every manager's job. The main topics we cover here are What Is Human Resource Management, Trends Influencing Human Resource Management, The New Human Resource Managers, Strategic Human Resource Management, and The Plan of This Book.

WHAT IS HUMAN RESOURCE MANAGEMENT?

Human resource management refers to the practices and policies you need to carry out the personnel aspects of your management job, specifically, acquiring, training, appraising, rewarding, and providing a safe, ethical, and fair environment for your company's employees. These practices and policies include, for instance:

- Conducting job analyses (determining the nature of each employee's job)
- Planning labor needs and recruiting job candidates
- Selecting job candidates
- Orienting and training employees
- Appraising performance
- Managing wages and salaries (how to compensate employees)
- Providing incentives and benefits
- Communicating and managing employee relations (interviewing, counseling, disciplining)

And what a manager should know about:

- Equal opportunity, ethics, and affirmative action
- Employee health, safety, and ethical treatment
- Grievances and labor relations

Why Is HR Management Important to All Managers, and Why Should I Study This Book?

Why are these concepts and techniques important to all managers?

AVOID PERSONNEL MISTAKES Perhaps the best way to answer that is to start by listing the sorts of personnel mistakes you *don't* want to make while managing. For example, no manager wants:

- To have your employees not performing at peak capacity
- To hire the wrong person for the job
- To experience high turnover
- To find employees not doing their best
- To have your company taken to court because of your discriminatory actions
- To have your company cited under federal occupational safety laws for unsafe practices
- To allow a lack of training to undermine your department's effectiveness
- To commit any unfair labor practices

Carefully studying this book can help you avoid mistakes like these. More important, it can help ensure that you get results—through people. Remember that you could do everything else right as a manager—lay brilliant plans, draw clear organization charts, set up modern assembly lines, and use sophisticated accounting controls—but still fail, for instance, by hiring the wrong people.

IMPROVE PROFITS AND PERFORMANCE On the other hand, many managers—from presidents to supervisors—have been successful without adequate plans, organizations,

or controls. They were successful because they had the knack for hiring the right people 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 these results through people. That fact hasn't changed from the dawn of management. As one company president summed it 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 workforce and the company's inability to recruit and maintain a good workforce 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.¹

YOU MAY SPEND SOME TIME AS AN HR MANAGER Here is a third reason to study this book. You may well make a career 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. 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 be better equipped to integrate the firm's human resource efforts with the rest of the business.² However, about 80% of top human resource executives in one survey did work their way up within HR.³ SHRM—the Society for Human Resource Management—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 And here is another reason to study this book. You may well end up as your own human resource manager. More than half the people working in the United States work for small firms. Therefore, most people graduating in the next few years will either work for small businesses or create new small businesses of their own. Most of these firms are too small to have their own human resource managers. Especially if you are managing your own small firm, you'll have to be skilled at human resource management.⁴

Line and Staff Aspects of HRM

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 HR 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

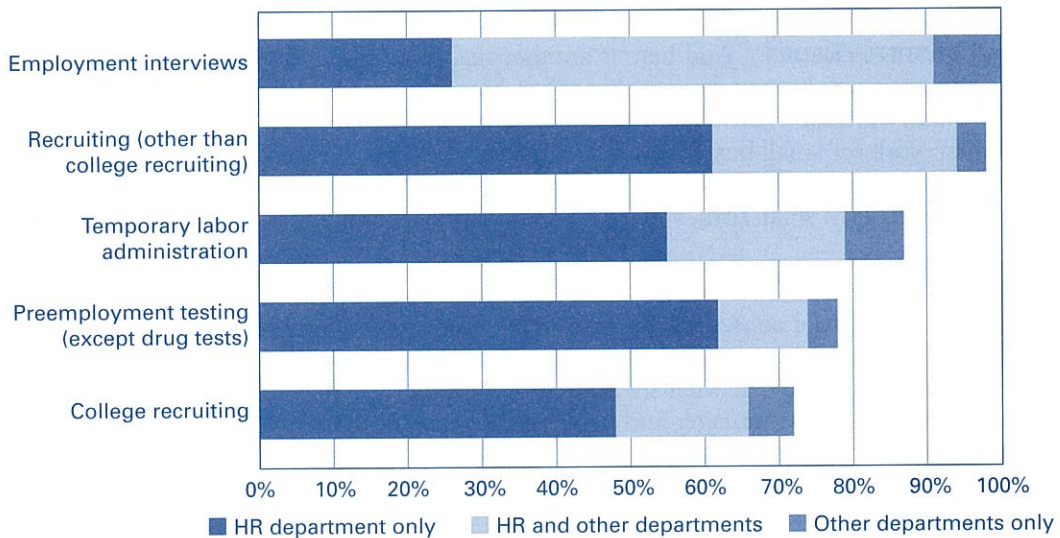
Tuesday” she is exercising her line authority. **Staff authority** gives a manager the right to *advise* other managers or employees. It creates an advisory relationship. When the human resource manager suggests that the plant manager use a particular selection test, the HR manager is exercising his 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.

LINE-STAFF HR COOPERATION HR and line managers share responsibility for most human resource activities. For example, human resource and line managers in about two-thirds of the firms in one survey shared responsibility for skills training.⁵ (Thus the supervisor might describe what training the new employee needs, HR might design the training, and the supervisor might then do the actual training.) Figure 1-1 illustrates the typical HR–line 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.

Line Managers’ Human Resource Management Responsibilities

In any case, the direct handling of people always has been part of every line manager’s responsibility, from president to first-line supervisor. All managers therefore spend much of their time on HR-type tasks.



Note: Length of bars represents prevalence of activity among all surveyed employers.

FIGURE 1-1 Employment and Recruiting—Who Handles It? (Percentage of All Employers). Source: Reproduced with permission from HR Department Benchmarks and Analysis 2004, p. 17, Figure 2.1, “Employment and Recruiting—Who Handles It?”, p. 17 by The Bureau of National Affairs, Inc. (800-372-1033) <http://www.bna.com>.

For example, one company outlines its line supervisors' responsibilities for effective human resource management under the following 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 departmental morale
10. Protecting employees' health and physical conditions

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

Organizing the Human Resource Department's Responsibilities

The human resource department provides this specialized assistance. Figure 1-2 shows typical human resource management jobs. These include compensation and benefits manager, employment and recruiting supervisor, and employee relations executive. Examples of job duties include:

Recruiters: Maintain contact within the community and publicize openings to search for qualified job applicants.⁶

Equal employment opportunity (EEO) representatives or affirmative action coordinators: Investigate and resolve EEO grievances, examine organizational practices for potential violations, and compile and submit EEO reports.

Job analysts: Collect and examine detailed information about job duties to prepare job descriptions.

Compensation managers: Develop compensation plans and handle the employee benefits program.

Training specialists: Plan, organize, and direct training activities.

At the other extreme, the human resource team for a small company may contain just five or six (or fewer) staff. There is *generally* about one human resource employee per 100 company employees.

NEW WAYS TO ORGANIZE THE HUMAN RESOURCES FUNCTION Employers are also delivering human resource services in new ways. For example, many employers now organize how they deliver their HR services via the following groups:⁷

- The *transactional HR* group uses call centers and outsourced vendors (such as outside benefits advisors) to deliver day-to-day HR support on matters such as changing benefits plans and employee assistance programs to all the company's employees.⁸
- The *corporate HR* group focuses on giving top management advice on "top level" matters, such as explaining the personnel aspects of the company's long-term strategic plan.

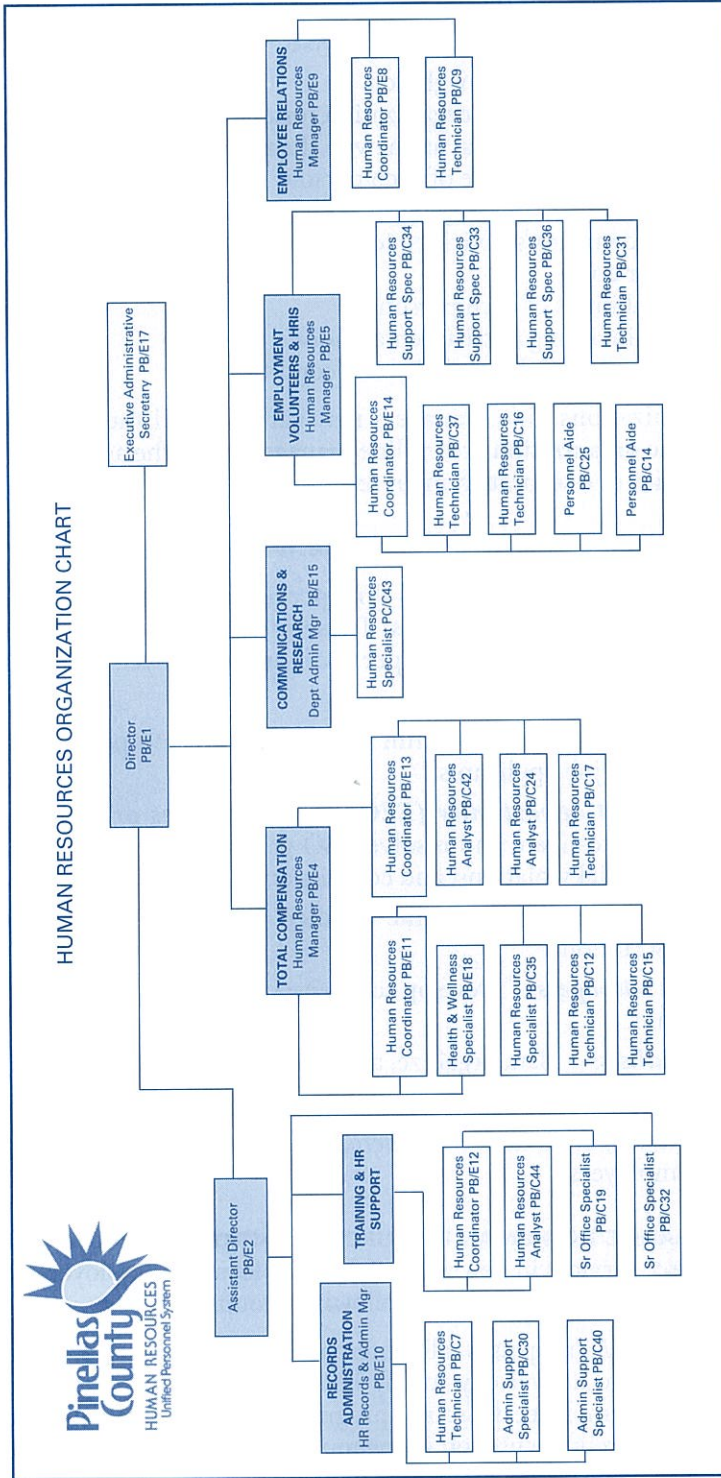


FIGURE 1-2 Human Resource Department Organization Chart. Source: www.co.pinellas.fl.us/persnl/pdf/orgchart.pdf, accessed April 1, 2009.

- The *embedded HR* group places (“embeds”) HR professionals (also known as “relationship managers” or “HR business partners”) in departments like sales and production to provide the HR assistance these departments need.
- *Centers of expertise* groups are like specialized HR consulting firms within the company. For example, they offer specialized assistance in areas such as organizational change.

IBM EXAMPLE Randall MacDonald, IBM’s head of human resources, says the traditional human resource organization isolates HR functions into “silos” such as recruitment, training, and employee relations. He says this silo approach means there’s no one team of human resource selection, training, and compensation specialists focusing on the needs of specific groups of employees. MacDonald therefore segmented IBM’s 330,000 employees into 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 each employee segment. These specialized teams help the employees in each segment get precisely the talent, learning, and compensation they require.⁹

TRENDS INFLUENCING HUMAN RESOURCE MANAGEMENT

As the IBM example suggests, what human resource managers do and how they do it is changing.¹⁰ Some of the reasons for these changes are obvious. One is technology. For example, employers now use their intranets to let employees modify their own benefits plans, something they obviously couldn’t do years ago.¹¹ Other trends shaping human resource management include globalization of competition, deregulation, changes in demographics and the nature of work, and economic challenges.

We’ll see that trends like these pressure employers to lower costs and to boost performance through the efforts of highly engaged and well-trained employees. They rely on their human resource managers to put in place the HR practices that will produce such highly engaged and trained “human resources.” The transformation of *personnel* into *human resource management* reflects this. Several trends brought human resource management to this point.¹²

Globalization

Globalization refers to the propensity of firms to extend their sales, ownership, and/or manufacturing to new markets abroad. Thus, Mercedes produces its M-class cars in Alabama, 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. So, for example, the total sum of U.S. imports and exports rose from \$47 billion in 1960, to \$562 billion in 1980, to about \$4.7 *trillion* in 2011.¹³

More 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. This pressures employers and their HR teams to institute practices that get the best from their employees.

HR AS A PROFIT CENTER

Boosting Customer Service

A bank installed special software that made it easier for its customer service representatives to handle customers' inquiries. However, the bank did not otherwise change the service reps' jobs in any way. Here, the new software system did help the service reps handle more calls. But otherwise, this bank saw no big performance gains.¹⁴

A second bank installed the same software. But, seeking to capitalize on how the new software freed up customer reps' time, this bank also had its human resource team upgrade the customer service representatives' jobs. This bank taught them how to sell more of the bank's services, gave them more authority to make decisions, and raised their wages. Here, the new computer system dramatically improved product sales and profitability, thanks to the newly trained and empowered customer service reps.¹⁵

Technological Advances

Managers increasingly use technology for many human resource management-type applications. *Facebookrecruiting* is one example.¹⁶ 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."¹⁷ Then, after creating a job listing, the employer can advertise its job link using Facebook Advertisements. The accompanying HR as a Profit Center offers another example.

The Nature of Work

Technology is also changing the nature of work. Skilled machinist Chad Toulouse illustrates this. After an 18-week training course, he now works as a team leader in a plant where about 40% of the machines are automated. Chad and his team type commands into computerized machines that create precision parts for products like water pumps.¹⁸ Human resource managers recently listed "critical thinking/problem solving" and "information technology application" as the two skills most likely to increase in importance over the next 5 years.¹⁹

Service Jobs

Technology is not the only trend driving this change from "brawn to brains." Today over two-thirds of the U.S. workforce is employed in producing and delivering services, not products. Between 2004 and 2014, almost all the new 19 million new jobs added in the United States will be in services, not in goods-producing industries.²⁰

Human Capital

For employers, this all means a growing need for "knowledge workers" and human capital. *Human capital* refers to the knowledge, education, training, skills, and expertise of a firm's workers.²¹ This places a big premium on having effective selection, training, and compensation practices.

Offshoring

The search for greater efficiencies prompts employers to export more jobs abroad. For example, Bank of America's Merrill Lynch has some of its security analysis work done abroad. Some American hospitals have radiologists abroad, for example in India, read their patients' X-rays through a process they call teleradiology.²² By one estimate, between 2005 and 2015, about 3 million U.S. jobs, ranging from office support and computer jobs to management, sales, and even legal jobs, will likely move offshore.²³

Demographic Trends

The U.S. workforce is becoming older and more multi-ethnic (Table 1-1).²⁴ For example, between 1998 and 2018, the percent of the workforce that Table 1-1 classifies as "white, non-Hispanic" will drop from 83.8% to 79.4%, and the percent that is black will rise from 11.6% to 12.1%. Those classified Asian will rise from 4.6% to 5.6%, and those of Hispanic origin will rise from 10.4% to 17.6%. The percentages of younger workers will fall, while those over 55 will leap from 12.4% of the workforce in 1998 to 23.9% in 2018.²⁵

Such demographic trends are making finding and hiring employees more challenging. In the United States, labor force growth is not expected to keep pace with job growth, with an estimated shortfall of about 14 million college-educated workers by 2020.²⁶

"GENERATION Y" Also called "Millennials," Gen Y employees are roughly those born 1977 to 2002. They take the place of the labor force's previous new entrants, Generation X, those born roughly 1965–1976 and who themselves were the children of, and followed into the labor force, the baby boomers, born just after the Second World War (born roughly 1944–1960.) Although every generation obviously has its own new generation of labor force entrants, Gen Y employees are different. Says one expert, they have "been pampered, nurtured, and programmed with a slew of activities since they were toddlers, meaning they are both high-performance and high-maintenance..."²⁷ They seek out creative challenges and want to make an important impact on Day 1.²⁸ As the first generation raised on e-mail, their capacity for using information technology may make them history's most high-performing employees.²⁹

TABLE 1-1 Demographic Groups as a Percent of the Workforce, 1998–2018

Age, race, ethnicity	1998	2008	2018
Age: 16–24	15.9%	14.3	12.7
25–54	71.7	67.7	63.5
55+	12.4	18.1	23.9
White, non-Hispanic	83.8	81.4	79.4
Black	11.6	11.5	12.1
Asian	4.6	4.7	5.6
Hispanic Origin	10.4	14.3	17.6

Source: Data from U.S. Department of Labor, Bureau of Labor Statistics, accessed May 10, 2010.

RETIREES Many call “the aging workforce” the biggest demographic threat affecting employers. The basic problem is that there aren’t enough younger workers to replace the baby boom era older workers retiring.³⁰ One survey found that 41% of surveyed employers are bringing retirees back into the workforce.³¹

NONTRADITIONAL WORKERS There is also a shift to nontraditional workers. These workers hold multiple jobs, or are “contingent” or part-time workers, or have alternative work arrangements (like a mother and daughter sharing one clerical job). Today, almost 10% of American workers—13 million people—fit this nontraditional workforce category.

Technology facilitates alternative work arrangements. For example, online websites such as LinkedIn (www.linkedin.com) enable free agent professionals to promote their services. Seeking the collaboration that’s often missing when one works alone, “co-working sites” offer freelance workers and consultants office space and access to office equipment for fees of perhaps \$200 or \$300 per month.³²

WORKERS FROM ABROAD With retirements triggering projected workforce shortfalls, many employers are hiring foreign workers for U.S. jobs. The country’s H-1B visa program lets U.S. employers recruit skilled foreign professionals to work in the United States when they can’t find qualified U.S. workers. U.S. employers bring in about 181,000 foreign workers per year under these programs. Particularly with high unemployment, such programs face opposition. For example, one study concluded that many workers brought in under the programs filled jobs that didn’t actually demand highly specialized skills, many paying less than \$15 an hour.³³

Economic Challenges and Trends

All these trends are occurring within the context of economic turmoil. Deregulation was one reason. Around the world, the rules that prevented commercial banks from expanding into new businesses such as 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 spent more than they earned. On a grander scale, the United States became a debtor. 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 2011.³⁴ 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.

As you can see in Figure 1-3, gross national product (GNP)—a measure of U.S. total output—boomed between 2001 and 2007. During this period, home prices leaped as much as 20% per year. Unemployment remained docile at about 4.7%.³⁵ Then, a few years ago, all these measures fell off a cliff. GNP fell. Home prices dropped by 20% or more (depending on city). Unemployment nationwide rose to more than 10%.

Why did all this happen? All those years of accumulating debt seem to have run their course. Banks and other financial institutions (such as hedge funds) owned trillions of dollars of worthless loans. Governments stepped in to try to prevent their collapse. Lending dried up. Many businesses and consumers stopped buying. The economy tanked.

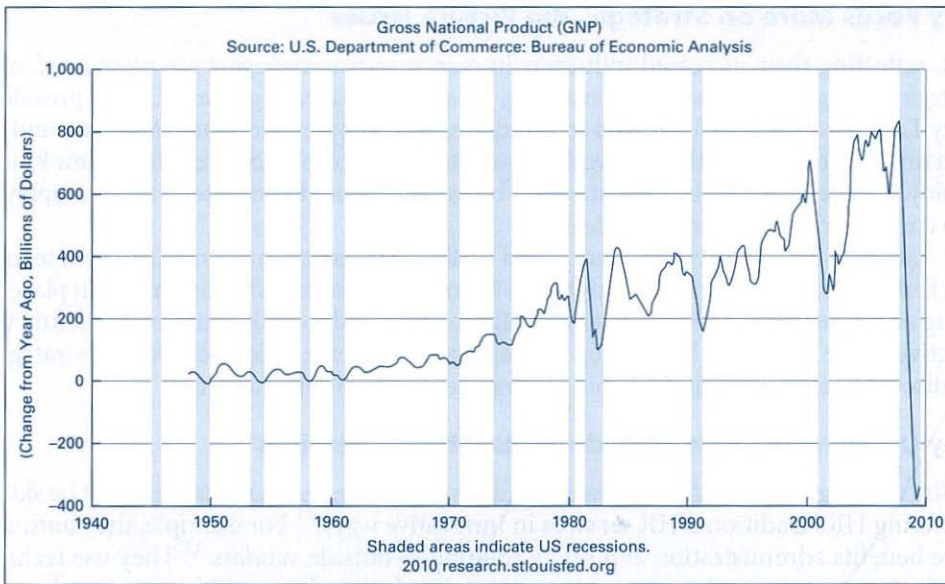


FIGURE 1-3 Changes in Gross National Product (GNP). *Source:* Data from U.S. Department of Commerce and Bureau of Economic Analysis.

Economic trends will turn positive again, perhaps as you read these pages. However, after what the world went through, it's doubtful that the deregulation, leveraging, and globalization that drove economic growth will continue unabated. That may mean slower growth, perhaps for years. The challenging times mean that employers will have to be more frugal and creative in managing their human resources.³⁶

THE NEW HUMAN RESOURCE MANAGERS

Trends like these mean changes in human resource management practices, and in what employers expect from their human resource managers. We'll look at some specifics.

Human Resource Management Yesterday and Today

For much of the twentieth century, personnel/HR managers focused on "day-to-day" transactional sorts of activities. In the earliest firms, they first took over hiring and firing from supervisors, ran the payroll department, and administered benefit plans. As expertise in areas like testing began to appear, the personnel department began to play an expanded role in employee selection and training.³⁷ The emergence of union legislation in the 1930s added dealing with unions to its list of duties. Then, as Congress passed new equal employment legislation in the 1960s and 1970s, employers began leaning on their human resource managers' expertise for avoiding and managing discrimination claims.³⁸

Today, we've seen that trends like globalization, competition, and technology confront employers with new challenges. Employers expect their human resource managers to have what it takes to address these challenges. We can list 10 characteristics of today's human resource professionals.

They Focus More on Strategic, Big Picture Issues

First, reflecting their increased influence, human resource managers are *more involved in strategic, “big picture” issues*. For example, Wisconsin-based Signicast Corp.’s president, Terry Lutz, and his board decided to build a new, computerized plant. Mr. Lutz and his team understood that “in the real world, new automation technology requires a new kind of employee.” The computerized plant would be useless without computer-literate employees who could work in self-managing teams.

Lutz and his management team relied on their human resource management team to select and train the tech-friendly employees the new plant required.³⁹ By putting in place the hiring and other personnel practices that Signicast needed to make the new plant function effectively, the HR team helped top management implement Signicast’s new strategy.⁴⁰ We discuss strategic human resource management later in this chapter.

They Use New Ways to Provide Transactional Services

While focusing more on strategic issues, today’s human resource managers must be skilled at offering HR’s traditional HR services in innovative ways.⁴¹ For example, they *outsource* more benefits administration and safety training to outside *vendors*.⁴² They use technology, for instance, in the form of *company portals* to let employees self-administer benefits plans, *Facebook recruiting* to recruit job applicants, *online testing* services to prescreen job applicants, and *centralized call centers* to answer HR-related inquiries from supervisors. As another example, IBM calls its internal social network site w3. IBM’s employees use w3 to “create personal profiles similar to those on LinkedIn, bookmark websites and news stories of interest, comment on company blogs, contribute to wikis, share files, and gain knowledge from white papers, videos, and podcasts.”⁴³

Table 1-2 lists some other examples of how employers use technology to support human resource management activities.⁴⁴

They Take an Integrated, “Talent Management” Approach to Managing Human Resources

With employers competing vigorously, no one wants to fail to attract or fully utilize top-caliber employees.⁴⁵ One survey of human resource executives found that “talent management” issues were among the most pressing ones they faced.⁴⁶

TABLE 1-2 Some Other Technology Applications to Support Human Resource Activities

Technology	How Used by HR
Streaming desktop video	Used, for instance, to facilitate distance learning and training or to provide corporate information to employees quickly and inexpensively
Internet- and network-monitoring software	Used to track employees’ Internet and e-mail activities or to monitor their performance
Data warehouses and computerized analytical programs	Used to help HR managers monitor their HR systems. For example, they make it easier to assess things like cost per hire, and to compare current employees’ skills with the firm’s projected strategic needs

WHAT IS TALENT MANAGEMENT? Talent management is the *goal-oriented and integrated* process of *planning, recruiting, developing, managing, and compensating* employees.⁴⁷ It means putting in place a coordinated process for identifying, recruiting, hiring, and developing high-potential employees.

What does this mean in practice? For one thing, talent management means being proactive about how you manage your company's talent (employees). For example, we saw that IBM segmented its employees into three groups. Now it can fine-tune the way it hires, trains, and rewards the employees in each segment. As another example, many employers pinpoint their most "mission-critical" employees, and manage their development and rewards separately from the firms' other employees. We'll look more closely at talent management starting in Chapter 3.

They Manage Employee Engagement

In today's environment, no employer can afford to have its employees present but "checked out" mentally. The Institute for Corporate Productivity defines engaged employees "as those who are mentally and emotionally invested in their work and in contributing to an employer's success." Unfortunately, studies suggest that less than one-third of the U.S. workforce is engaged.⁴⁸ One Gallup study estimated that \$350 billion is lost annually in the United States alone on damage done by disengaged workers.⁴⁹ Today's human resource managers must know how to foster employee engagement.

They Measure HR Performance and Results

With today's emphasis on controlling costs and boosting profits, employers expect their human resource managers to take action based on measurable performance-based criteria. For example, IBM's Randall MacDonald needed \$100 million from IBM to reorganize its HR operations. He told top management, "I'm going to deliver talent to you that's skilled and on time and ready to be deployed. I will be able to measure the skills, tell you what skills we have, what [skills] we don't have [and] then show you how to fill the gaps or enhance our training."⁵⁰

SAMPLE METRICS To make claims like these, human resource managers need performance measures (or "metrics"). For example, median HR expenses as a proportion of companies' total operating costs average just under 1%. There tends to be between 0.9 and 1.0 human resource staff persons per 100 employees.⁵¹ To see how they're doing compared to others, employers obtain customized benchmark comparisons from services such as the Society for Human Resource Management's Human Capital Benchmarking Service.⁵²

They Add Value

This focus on performance and measurement reflects another trait of today's human resource managers. HR management must *add value*, particularly by boosting profitability and performance in measurable ways. Professors Dave Ulrich and Wayne Brockbank explain this in terms of "The HR Value Proposition."⁵³ They say the human resource manager's programs (such as screening tests and training tools) are just a means to an end. The ultimate aim must be to add value. "Adding value" means helping the firm and its employees gain in a measurable way from the human resource manager's actions.

We'll see in this book how human resource selection, training, rewards, and other practices improve profitability and performance. We use HR as a Profit Center features in each chapter to highlight such efforts.

They Build High-Performance Work Systems

With today's focus on *productivity and performance* improvement, employers seek to install what they call high performance work systems.⁵⁴ A *high-performance work system* is a set of human resource management policies and practices that together produce superior employee performance. For example, in one study, the high-performance plants paid more (median wages of \$16 per hour compared with \$13 per hour for all plants); trained more (83% offered more than 20 hours of training per year, compared with 32% for all plants); used more sophisticated recruitment and hiring practices (tests and validated interviews, for instance); and used more self-managing work teams. These plants also had the best overall performance, in terms of higher profits, lower operating costs, and lower turnover.⁵⁵ We discuss such high-performance methods in this book.

They Practice Evidence-Based Human Resource Management

Saying you have a “high-performance” organization assumes that you can back up what you're doing with measurable evidence.⁵⁶ For example, “How much will that new testing program save us in reduced employee turnover?”⁵⁷

Providing evidence such as this is the heart of *evidence-based human resource management*. This is the use of data, facts, analytics, scientific rigor, critical evaluation, and critically evaluated research/case studies to support human resource management proposals, decisions, practices, and conclusions.⁵⁸ Put simply, evidence-based human resource management means using the best available evidence in making decisions about the human resource management practices you are focusing on.⁵⁹ The evidence may come from *actual measurements* (such as, how did the trainees like this program?). It may come from *existing data* (such as, what happened to company profits after we installed this training program?). Or it may come from published *research studies* (for instance, median HR expenses as a proportion of companies' total operating costs average about 0.8%⁶⁰). As an example, BASF Corp. analyzed the relationship between its employees' stress and productivity. It discovered that stress-reduction programs would more than pay for themselves in increased productivity.⁶¹ We present examples of such evidence throughout this book.

They Manage Ethics

Ethics refers to the standards someone uses to decide what his or her conduct should be. Ethical decisions always involve *morality*, matters of serious consequence to society's well-being, such as murder, lying, or stealing (as via financial Ponzi schemes).

One survey found that 6 of the 10 most serious ethical issues—workplace safety, security of employee records, employee theft, affirmative action, comparable work, and employee privacy rights—were human resource management related.⁶² We will explain ethics in human resource management more fully in Chapter 8.

They Have New Proficiencies⁶³

In turn, activities such as evidence-gathering and dealing with technology demand *new human resource management proficiencies*. Human resource managers still need skills in subjects such as employee selection and training. But now they also require broader *business knowledge and competencies*. For example, to assist top management in formulating strategic plans, the human resource manager needs to understand strategic planning, marketing, production, and finance.⁶⁴ He or she must also be able to “speak the CFO’s language,” by explaining human resource activities in financially measurable terms.⁶⁵

THE HUMAN RESOURCE MANAGER’S COMPETENCIES The accompanying Figure 1-4 provides one view of the competencies today’s HR managers need.⁶⁶ They need the knowledge, skills, and competencies to be:

Strategic Positioners, for instance by helping to craft the firm’s strategy.⁶⁷

Capability Builders, for instance by creating a meaningful work environment and aligning strategy, culture, practices, and behavior.

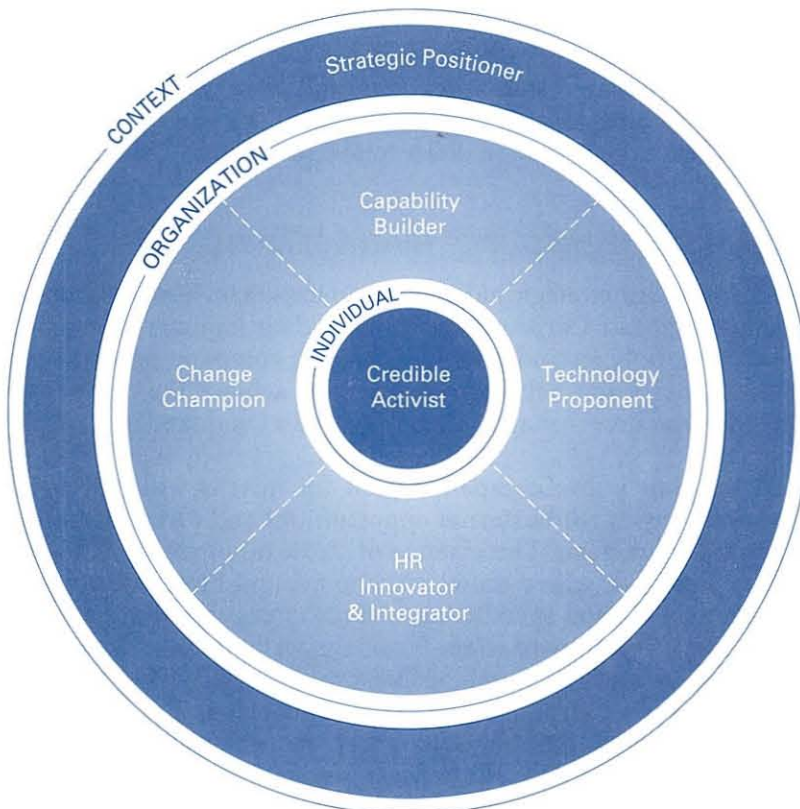


FIGURE 1-4 The Human Resource Manager’s Competencies. Source: The RBL Group, copyright 2012.

Change Champions, for instance by initiating and sustaining change.

HR Innovators and Integrators, for instance by developing talent, and optimizing human capital through workforce planning and analytics.

Technology Proponents, for instance by connecting people through technology.

Credible Activists, by exhibiting the leadership and other competencies that make them “both *credible* (respected, admired, listened to) and *active* (offers a point of view, takes a position, challenges assumptions.)”⁶⁸

HR Certification

As the human resource manager’s job becomes more demanding, human resource managers are becoming more professional. More than 100,000 have already passed one or more of the Society for Human Resource Management’s (SHRM) HR professional certification exams. SHRM’s Human Resource Certification Institute offers these exams. Exams test the professional’s knowledge of all aspects of human resource management, including ethics, management practices, staffing, development, compensation, labor relations, and health and safety. Those who successfully complete all requirements earn the SPHR (Senior Professional in HR), GPHR (Global Professional in HR), or PHR (Professional in HR) certificate. Managers can take an online HRCI assessment exam at www.HRCI.org (or by calling 866-898-HRCI). SHRM provides an assurance of learning assessment preparation guide book for students.⁶⁹

Finally, with all the changes taking place, the U.S. Department of Labor projects that employment for human resource, training, and labor relations professionals will experience much faster than average growth in the next few years.⁷⁰ Top-ranked human resource managers earn multi-million dollar total take home pay.⁷¹

STRATEGIC HUMAN RESOURCE MANAGEMENT

We’ve seen that exercising strategic judgment is an important human resource manager proficiency. As at Signicast Corp., employers want their human resource managers to put in place the HR policies and practices that the company needs to produce the employee competencies and behaviors required to achieve the company’s strategic objectives. Human resource managers therefore need a command of strategic planning methods.

A **strategic plan** is the company’s plan for how it will match its internal strengths and weaknesses with external opportunities and threats in order to maintain a competitive advantage. The essence of strategic planning is to ask, “Where are we now as a business, where do we want to be, and how should we get there?” The manager then formulates specific (human resources and other) plans to take the company from where it is now to where he or she wants it to be. When Yahoo! tries to figure out whether to sell its search business to Microsoft, it’s engaged in strategic planning. A **strategy** is a course of action. If Yahoo! decides it must raise money and focus more on applications like Yahoo! Finance, one strategy might be to sell Yahoo! Search. **Strategic management** is the process of identifying and executing the organization’s strategic plan, by matching the company’s capabilities with the demands of its environment.

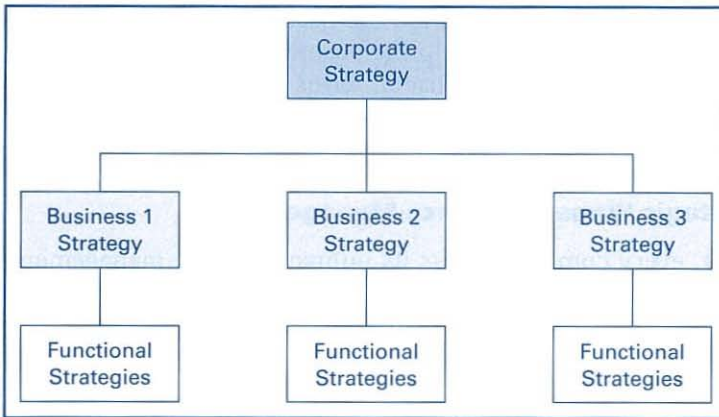


FIGURE 1-5 Three Levels of Strategies in Multiple-Business Firms. Source: Gary Dessler, Ph.D.

Strategic Planning Basics

Managers engage in three levels of strategic planning (see Figure 1-5).⁷²

CORPORATE STRATEGY Many firms consist of several businesses. For instance, PepsiCo includes Frito-Lay North America, PepsiCo Beverages North America, PepsiCo International, and Quaker Oats North America. PepsiCo therefore needs a *corporate-level strategy*. A company's **corporate-level strategy** identifies the rationale for the portfolio of businesses that, in total, comprise the company as well as the ways in which these businesses relate to each other. For example, a *diversification* strategy implies that the firm will expand by adding new products. A *vertical integration* strategy means the firm expands by, perhaps, producing its own raw materials or selling its products directly. *Consolidation*—reducing the company's size—and *geographic expansion*—for instance, taking the business abroad—are some other corporate strategy possibilities.

COMPETITIVE STRATEGY At the next level down, each of these businesses (such as Quaker Oats) needs a *business-level/competitive strategy*. A **competitive strategy** identifies how to build and strengthen the business's long-term competitive position in the marketplace. It identifies, for instance, how Pizza Hut will compete with Papa John's. Companies try to achieve competitive advantages for each of their businesses. We can define **competitive advantage** as any factors that allow an organization to differentiate its product or service from those of its competitors to increase market share.⁷³

There are three basic ways to achieve competitive advantage. *Cost leadership* means the company aims to become the low-cost leader in an industry. Walmart is a typical example.

With a *differentiation* competitive strategy, a business seeks to be unique in its industry in ways valued by buyers.⁷⁴ Thus, Volvo stresses safety, and Papa John's Pizza stresses fresh ingredients. Still other firms compete as *focusers*. They carve out a market niche (as for Rolls-Royce cars) and compete by providing something their customers can get in no other way.

FUNCTIONAL STRATEGY Each of the firm's individual businesses (such as PepsiCo's Frito-Lay) has departments, such as manufacturing, sales, and human resource

management. **Functional strategies** are the basic courses of action that each of the business's departments pursues to help the business attain its competitive goals. These functional strategies should make sense in terms of the business/competitive strategy. Thus (for better or worse) Walmart's human resource department strategies emphasize minimizing labor costs.

What Is Strategic Human Resource Management?

As at Walmart, every company wants its human resource management policies and practices to make sense in terms of and to support its strategic aims. **Strategic human resource management** means formulating and executing human resource policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic aims.

The basic idea behind strategic human resource management is this: In formulating human resource management policies and practices, the manager's aim must be to produce the employee skills and behaviors that the company needs to achieve its strategic aims.

Figure 1-6, The Practices Behaviors Strategy Pyramid, graphically outlines this idea. Management formulates a *strategic plan*. That strategic plan implies certain *workforce behaviors and competencies*. (For example, do we need more computer-literate employees for our new machines?) Given these workforce requirements, human resource management formulates *HR strategies (policies and practices)* to produce the desired workforce skills, competencies, and behaviors.

As part of that last step, the human resource manager may choose measures to gauge the extent to which the new policies and practices are actually producing the required employee skills and behaviors. These measures might include, for instance, "hours of computer training per employee," "productivity per employee," and (via customer surveys) "customer satisfaction."

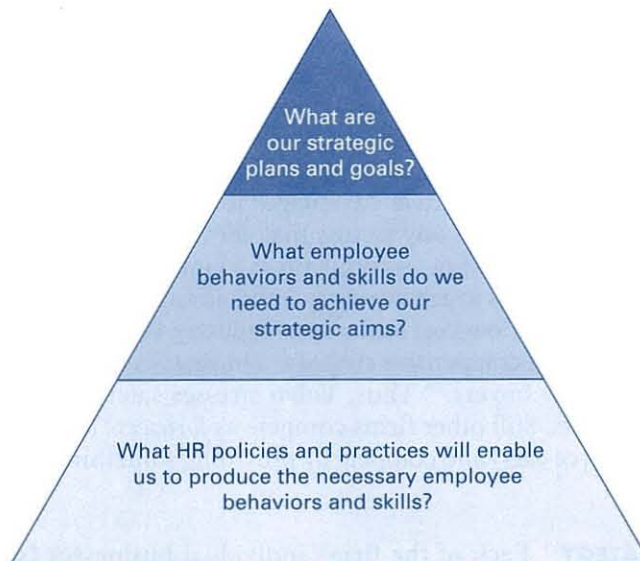


FIGURE 1-6 The Practices Behavior Strategy Pyramid. Source: Gary Dessler, Ph.D.

Human Resource Strategies and Policies

Managers call the human resource management policies and practices they use to support their strategic aims *human resource strategies*.⁷⁵ For example, the Ritz-Carlton Portman Hotel in Shanghai aimed to cultivate service-oriented employee behaviors, so as to boost the hotel's level of service. Its new HR policies included installing the Ritz-Carlton Company's human resource selection/training/compensation system, having top management interview each job candidate, and selecting only employees who cared for and respected others. The accompanying HR as a Profit Center feature presents another example.

Strategic Human Resource Management Tools

Managers use several tools to translate strategic goals such as “superior service” into human resource management policies and activities. Three important tools include the strategy map, the HR Scorecard, and the digital dashboard.

STRATEGY MAP The **strategy map** provides an overview of how each department's performance contributes to achieving the company's overall strategic goals. It helps the manager understand the role his or her department plays in helping to execute the company's strategic plan.

Figure 1-7 presents a strategy map example, in this case for Southwest Airlines. Southwest has a low-cost leader strategy. The strategy map for Southwest succinctly lays out the hierarchy of main activities required for Southwest Airlines to get costs down and profits up. At the top of the map is achieving company-wide, strategic financial goals. Beneath that, the strategy map shows the chain of activities that help Southwest Airlines achieve these goals. For example, to boost revenues and profitability Southwest needs to fly fewer planes (to keep costs down), maintain low prices, and maintain on-time flights.

In turn (further down the strategy map), on-time flights and low prices require fast turnaround. And, fast turnaround requires motivated ground and flight crews.

HR AS A PROFIT CENTER

Albertsons Example

Several years ago, Albertsons Markets had to improve performance, and fast. With 2,500 stores and 230,000 workers, it faced competition not only from grocery chains, but also from Walmart and online sites. Albertsons' overall strategy included reducing costs, maximizing financial returns, becoming more customer-focused, and energizing employees. Albertsons turned to its human resource managers to help achieve these strategic aims. Its new human resource strategy entailed new screening, training, pay, and other human resources policies and practices, and using more technology to reduce its HR activities' costs.⁷⁶ The Albertsons human resource team's steps helped Albertsons to cut costs, and to boost customer service by hiring and motivating customer-focused applicants.

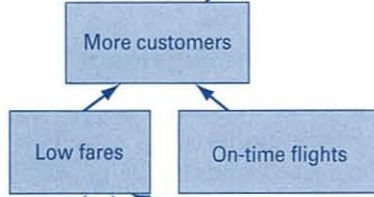
Strategy in Brief

Low-cost leader, high-quality customer service, operational efficiency

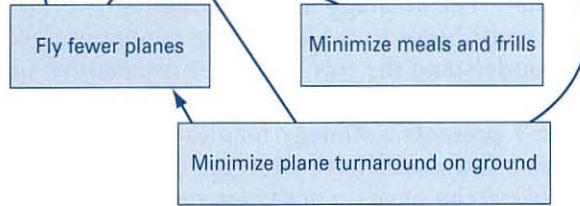
Strategic/Financial Results



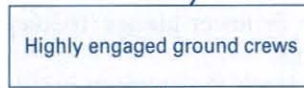
Customer-Based Results Required to Produce Desired Strategic/Financial Results



Internal Business Processes Required to Produce Desired Financial Results



Organizational and Employee Capabilities Required to Support Desired Internal Business Processes



HR Practices Required to Produce These Employee Capabilities

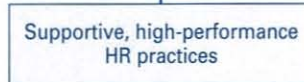
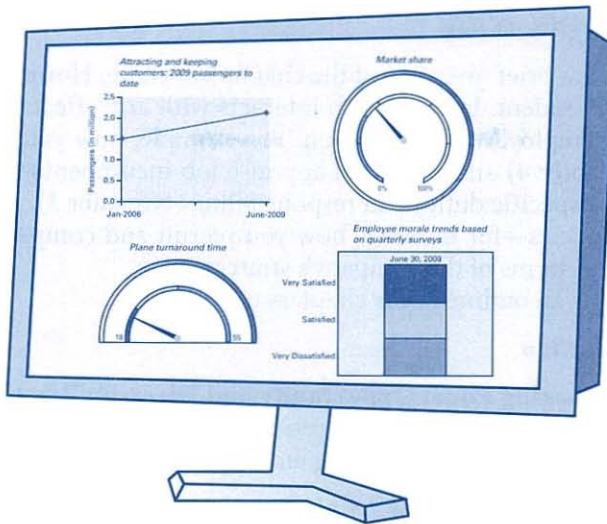


FIGURE 1-7 Example of Strategy Map. Sources: Based on TeamCHRYSALIS.com, accessed July 2006; http://mcknightkaney.com/Strategy_Maps_Primer.html, accessed August 3, 2011; <http://www.strategymap.com.au/home/StrategyMapOverview.htm>, accessed August 3, 2011.

The strategy map helps each department visualize what it needs to do to support Southwest’s low-cost strategy. Thus its HR policies aim to produce motivated crews, for instance through exceptional benefits and pay. Then, Engaged and Motivated Flight Crews > Fast Turnaround > Lower Costs > Profitability.

THE HR SCORECARD Many employers quantify and computerize the strategy map’s activities. The HR Scorecard helps them to do so. The **HR Scorecard** is not a scorecard. It refers to a process for *assigning financial and nonfinancial goals or metrics* to the human resource management–related chain of activities required for achieving the



company’s strategic aims.⁷⁷ (Metrics for Southwest might include airplane turnaround time, percent on-time flights, and ground crew productivity.) Simply put, the idea is to take the strategy map and to quantify it.

Managers use special scorecard software to facilitate this. The computerized scorecard process helps the manager quantify the relationships between (1) the HR activities (amount of testing, training, and so forth), (2) the resulting employee behaviors (customer service, for instance), and (3) the resulting firm-wide strategic outcomes and performance (such as customer satisfaction and profitability).⁷⁸

DIGITAL DASHBOARDS The saying “a picture is worth a thousand words” explains the purpose of the digital dashboard. A **digital dashboard** presents the manager with desktop graphs and charts, showing a computerized picture of where the company stands on all those metrics from the HR Scorecard process. As in the illustrated PC screen above, a top Southwest Airlines manager’s dashboard might display real-time trends for various strategy map activities. These might include fast turnaround, attracting and keeping customers, and on-time flights. This gives the manager time to take corrective action. For example, if ground crews are turning planes around slower today, financial results tomorrow may decline unless the manager takes action. Figure 1-8 summarizes the three tools.

<p style="text-align: center;">Strategy Map</p> <p>Graphical tool that summarizes the chain of activities that contribute to a company’s success, and so shows employees the “big picture” of how their performance contributes to achieving the company’s overall strategic goals.</p>	<p style="text-align: center;">HR Scorecard</p> <p>A process for managing employee performance and for aligning all employees with key objectives, by assigning financial and nonfinancial goals, monitoring and assessing performance, and quickly taking corrective action.</p>	<p style="text-align: center;">Digital Dashboard</p> <p>Presents the manager with desktop graphs and charts, so he or she gets a picture of where the company has been and where it’s going, in terms of each activity in the strategy map.</p>
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FIGURE 1-8 Three Important Strategic HR Tools.

THE PLAN OF THIS BOOK

This section presents a brief overview of the chapters to come. However, do not think of these topics as independent. Instead, each interacts with and affects the others, and all should fit with the employer's strategic plan. For example, how you test and interview job candidates (Chapter 4) and train and appraise job incumbents (Chapters 5 and 6) depends on the job's specific duties and responsibilities (Chapter 3). And, as we've seen, each of your HR policies—for instance, how you recruit and compensate employees—should make sense in terms of the company's strategic plan.

The following is an outline of the chapters to come:

Part I: Introduction

Chapter 2: Managing Equal Opportunity and Diversity What you need to know about equal opportunity laws as they relate to human resource management activities such as interviewing and selecting employees and managing diversity

Part II: Recruiting and Placing Employees

Chapter 3: Personnel Planning, Recruiting, and Talent Management How to analyze a job to determine the job's specific duties and responsibilities and what sorts of people to hire

Chapter 4: Testing and Selecting Employees Techniques such as testing that you can use to ensure that you're hiring the right people

Chapter 5: Training and Developing Employees Providing the training and development necessary to ensure that your employees have the knowledge and skills required to accomplish their tasks

Part III: Appraising and Compensating Employees

Chapter 6: Performance Management, Appraisals, and Careers Techniques for managing and appraising performance and managing careers

Chapter 7: Compensating Employees How to develop equitable pay plans, including incentives and benefits

Part IV: Employee Rights and Safety

Chapter 8: Managing Employee Ethics, Engagement, Retention, and Fair Treatment Ensuring ethical and fair treatment through discipline and grievance management; tools for improving employee engagement and retention

Chapter 9: Managing Labor Relations and Collective Bargaining Concepts and techniques concerning the relations between unions and management, including the union-organizing campaign, and negotiating a collective bargaining agreement

Chapter 10: Protecting Safety and Health The causes of accidents, how to make the workplace safe, and laws governing your responsibilities in regard to employee safety and health

Module A: Practical HR Tools, Guidelines, and Systems for Managers Practical human resource management interview questions and other tools for first-line supervisors, managers, and small business owners

REVIEW

Summary

1. Staffing, personnel management, or human resource management includes activities such as recruiting, selecting, training, compensating, appraising, and developing employees.
2. HR management is a part of every line manager's responsibilities. It includes placing the right person in the right job and then orienting, training, and compensating the person to improve his or her job performance.
3. The human resource manager and his or her department provide various staff services to line management; for example, the HR manager or department assists in the hiring, training, evaluating, rewarding, promoting, and disciplining of employees at all levels.
4. Changes in the environment of human resource management are requiring HR to play a strategic role in organizations. These changes include growing workforce diversity, rapid technological change, globalization, and changes in the nature of work, such as the movement toward a service society and a growing emphasis on education and human capital.
5. One consequence of changes in the work environment is that HR management must be involved in both the formulation and the implementation of a company's strategies, given the need for the firm to use its employees as a competitive advantage.
6. We defined strategic human resource management as "formulating and executing HR systems—HR policies and practices—that produce the employee competencies and behaviors the company needs to achieve its strategic aims." HR is a strategic partner in that it works with other top managers to formulate the company's strategy as well as to execute it.

Key Terms

human resource management 2
 authority 3
 line authority 3
 staff authority 4
 line manager 4
 staff manager 4

talent management 13
 ethics 14
 strategic plan 16
 strategy 16
 strategic management 16
 corporate-level strategy 17
 competitive strategy 17

competitive advantage 17
 functional strategy 18
 strategic human resource management 18
 strategy map 19
 HR Scorecard 20
 digital dashboard 21

Discussion Questions

1. Explain what HR management is and how it relates to line management.
2. Give several examples of why all managers should have human resource management knowledge and skills.

3. Compare the work of line and staff managers. Give examples of each.
4. What skills and competencies do today's human resource managers need, and why?
5. What is strategic human resource management, and what is HR's role in the strategic planning process?

Individual and Group Activities

1. Working individually or in groups, contact the HR manager of a local bank. Ask the person how he or she is working as a strategic partner to manage human resources, given the bank's strategic goals and objectives. Back in class discuss the responses of the different HR managers.
2. Working individually or in groups, interview an HR manager. Based on that interview, write a short presentation regarding HR's role today in building competitive organizations.
3. Working individually or in groups, bring business publications such as *Bloomberg Businessweek* and the *Wall Street Journal* to class. Based on their contents, compile a list entitled "What HR Managers and Departments Do Today."
4. Based on your personal experiences, list 10 examples showing how you used (or could have used) human resource management techniques at work or school.
5. Laurie Siegel, senior vice president of human resources for Tyco International, took over her job just after numerous charges forced the company's previous executives to leave the firm. Hired by new CEO Edward Breen, Siegel had to tackle difficult problems. For example, she had to help hire a new management team. She had to do something about what the outside world viewed as questionable ethics at her company. And she had to revamp the company's top management compensation plan, which many felt contributed to the allegations by some that some former company officers had used the company as a sort of private ATM.
Working individually or in groups, conduct an Internet search and library research to answer the following questions: What human resource management-related steps did Siegel take to help get Tyco back on the right track? Do you think she took the appropriate steps? Why or why not? What, if anything, do you suggest she do now?
6. Working individually or in groups, develop a list showing how trends such as workforce diversity, technological trends, globalization, and changes in the nature of work have affected the college or university you are now attending or the organization for which you work.
7. Working individually or in groups, develop several examples showing how the new HR management practices mentioned in this chapter (using technology, for instance) have or have not been implemented to some extent in the college or university you are now attending or in the organization for which you work.

APPLICATION EXERCISES

CASE INCIDENT

Jack Nelson's Problem

As a new member of the board of directors for a local bank, Jack Nelson was being introduced to all the employees in the home office. When he was introduced to Ruth Johnson, he was curious about her work and asked her what her machine did. Johnson replied that she really did not know what the machine was called or what it did. She explained that she had been working there for only 2 months. She did, however, know precisely how to operate the machine. According to her supervisor, she was an excellent employee.

At one of the branch offices, the supervisor in charge spoke to Nelson confidentially, telling him that "something was wrong," but she didn't know what. For one thing, she explained, employee turnover was too high, and no sooner had one employee been put on the job than another one resigned. With customers to see and loans to be made, she explained, she had little time to work with the new employees.

All branch supervisors hired their own employees without communication with the home office or other branches. When an opening developed, the supervisor tried to find a suitable employee to replace the worker.

After touring the 22 branches and finding similar problems in many of them, Nelson wondered what the home office should do or what action he should take. The banking firm was generally regarded as a well-run institution that had grown from 27 to 191 employees during the past 8 years. The more he thought about the matter, the more puzzled Nelson became. He couldn't put his finger on the problem, and he didn't know whether to report his findings to the president.

QUESTIONS

1. What do you think is causing some of the problems in the bank's home office and branches?
2. Do you think setting up an HR unit in the main office would help?
3. What specific functions should an HR unit carry out? What HR functions would then be carried out by supervisors and other line managers?

Source: George, Supervision in Action: Art Managing Others, 4th, © 1985. Printed and Electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, New Jersey.

CONTINUING CASE

Carter Cleaning Company

Introduction

A main theme of this book is that human resource management activities like recruiting, selecting, training, and rewarding employees is not just the job of a central HR group but rather a job in which every manager must engage. Perhaps nowhere is this more apparent than

in the typical small service business. Here the owner/manager usually has no HR staff to rely on. However, the success of his or her enterprise (not to mention his or her family's peace of mind) often depends largely on the effectiveness through which workers are recruited, hired, trained, evaluated, and rewarded. Therefore, to help illustrate and emphasize the front-line manager's HR role, throughout this book we will use a continuing case based on an actual small business in the southeastern

(continued)

United States. Each chapter's segment of the case will illustrate how the case's main player—owner/manager Jennifer Carter—confronts and solves personnel problems each day at work by applying the concepts and techniques of that particular chapter. Here is background information you will need to answer questions that arise in subsequent chapters. (We also present a second, unrelated “application case” case incident in each chapter.)

Carter Cleaning Centers

Jennifer Carter graduated from State University in June 2009, and, after considering several job offers, decided to do what she always planned to do—go into business with her father, Jack Carter.

Jack Carter opened his first laundromat in 1999 and his second in 2002. The main attraction of these coin laundry businesses for him was that they were capital- rather than labor-intensive. Thus, once the investment in machinery was made, the stores could be run with just one unskilled attendant and none of the labor problems one normally expects from being in the retail service business.

The attractiveness of operating with virtually no skilled labor notwithstanding, Jack had decided by 2003 to expand the services in each of his stores to include the dry cleaning and pressing of clothes. He embarked, in other words, on a strategy of “related diversification” by adding new services that were

related to and consistent with his existing coin laundry activities. He added these for several reasons. He wanted to better utilize the unused space in the rather large stores he currently had under lease. Furthermore, he was, as he put it, “tired of sending out the dry cleaning and pressing work that came in from our coin laundry clients to a dry cleaner 5 miles away, who then took most of what should have been our profits.” To reflect the new, expanded line of services, he renamed each of his two stores Carter Cleaning Centers and was sufficiently satisfied with their performance to open four more of the same type of stores over the next 5 years. Each store had its own on-site manager and, on average, about seven employees and annual revenues of about \$500,000. It was this six-store chain that Jennifer joined after graduating.

Her understanding with her father was that she would serve as a troubleshooter/consultant to the elder Carter with the aim of both learning the business and bringing to it modern management concepts and techniques for solving the business's problems and facilitating its growth. She needs your advice.

QUESTIONS

1. Jennifer asks that you make a list of five specific HR problems you think Carter Cleaning will have to grapple with.
2. And she asks, what would you do first if you were me, Jennifer Carter?

EXPERIENTIAL EXERCISE

Helping “The Donald”

Purpose: The purpose of this exercise is to provide practice in identifying and applying the basic concepts of human resource management by illustrating how managers use these techniques in their day-to-day jobs.

Required Understanding: Be thoroughly familiar with the material in this chapter, and with at least several episodes of *The Celebrity Apprentice*, the TV show in which developer Donald Trump starred.

How to Set Up the Exercise/Instructions:

1. If so desired, divide the class into teams.
2. Read this: As you know by watching “The Donald” as he organizes his business teams

for *The Celebrity Apprentice*, human resource management plays an important role in what Donald Trump and the participants on his separate teams need to do to be successful. For example, Donald Trump needs to be able to appraise each of the participants. And, for their part, the leaders of each of his teams need to be able to staff his or her teams with the right participants and then provide the sorts of training, incentives, and evaluations that help their companies succeed and that therefore make the participants themselves (and especially the team leaders) look like “winners” to Mr. Trump.

3. Watch several of these shows (or reruns of the shows), and then meet with your team and answer the following questions:
 - a. What specific HR functions (recruiting, interviewing, and so on) can you identify Donald Trump using on this show? Make sure to give specific examples based on the show.
 - b. What specific HR functions (recruiting, selecting, training, and so on) can you identify one or more of the team leaders using to help manage their teams on the show? Again, please give specific answers.
 - c. Provide a specific example of how HR functions (such as recruiting, selecting, interviewing, compensating, appraising, and so on) contributed to one of the participants coming across as particularly successful to Mr. Trump. Can you provide examples of how one or more of these functions contributed to Mr. Trump telling a participant “You’re fired”?
 - d. Present your team’s conclusions to the class.