Human Resource Management

Robert L. Mathis | John H. Jackson | Sean R. Valentine

Fourteenth Edition

Human Resource Management

FOURTEENTH EDITION

Human Resource Management

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DEDICATIONS

TO

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for managing efforts on this book, and
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who were successful managers of people for many years.

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PREFACE

In comparing the 14th edition of *Human Resource Management* with the first edition the evolution that has occurred in the HR field is very apparent. By carefully researching and recording the changes in this book it has become the leader in both the academic and professional segments of the market, we are told, and the authors are very gratified that their efforts are appreciated by so many.

The book is a longtime standard in HR classes. We have paid close attention to an appropriate reading level, chapter lengths, use of examples, and other devices to make the book "student friendly." It is also worth noting that the authors have all won teaching awards, which certify a knowledge of what it takes to communicate this material whether orally or in a written fashion.

Casual comments from colleagues reveal a lack of clarity about how one successfully revises a textbook in a field that changes as rapidly as Human Resources. There are many hundreds of articles in the academic and professional literatures that have appeared in the three years since the last book was researched. When the business examples from *The Wall Street Journal*, *Business Week*, and other trade publications are added, the number is staggering. Some of these articles, and certainly the themes that appear in them, represent the changing nature of the subject matter and must be added to our knowledge of the field. Certainly, they must be added to a university text that purports to summarize the field. This book has tried to do that for many editions and has again. You can be confident it contains the most current HR content possible.

The field of HR management is different from some other business topic areas. There is a definite academic/theoretical/research component that represents new knowledge evidence, and viewpoints in the field, and that is explored, but HR is a very applied professional area too. Just ask the HR leaders that deal with the issues covered here on a daily basis. That professional focus results in this book being widely used in preparation for certification in the HR profession. Our approach has always been that both perspectives are very important in understanding the field, and this strategy is continued in the 14th edition.

With this edition, we welcome a new author. Sean Valentine is an accomplished scholar who has a special interest and expertise in HR and ethics. You will note more consideration of the ethical implications of some HR decisions and areas. He is a strong addition to the author team.

THE FOURTEENTH EDITION

HR takes place in an environment that changes rapidly and impacts the field resulting in needed changes to the book between editions. The 14th edition identifies these changes and how they are being dealt with in the field. A few of the big-picture changes in the 14th edition follow. There are just too many to list all of the changes here that have been necessary, but you will find them in the text.

The Changing Workforce

The workforce that is available for employers to hire greatly affects the day-to-day operation of many HR functions. At this writing unemployment is high, and businesses tell us the needed training and skills for many jobs are simply not available in the workforce. The ethnic and gender mix of potential employees continues to change, the long anticipated retirement of the baby boomers seems to be on hold, and workforce participation rates are dropping. Since understanding these larger trends helps to understand the workforce available to hire, the 14th edition has added a section in Chapter 4—Workforce, Jobs, and Job Analysis—on the workforce that includes profiles, participation rates, skills gaps, and more.

Measuring HR Effectiveness

The trend toward holding HR accountable not only continues but has expanded, and may be the main distinction between HR having the much discussed "seat at the table" and not. The days when someone could be viewed as a successful HR manager because "they just love working with people" are long gone. Benchmarking, metrics, and now analytics are a part of the analysis of how well HR is doing its job. The 14th edition uses a metrics icon to indicate where material on measuring HR is covered throughout the book. Measurement of what HR does is to be welcomed as it can document how HR contributes to organizational goals in a tangible way.

Global Economies

It is probably trite to point out that business is global now and that has changed HR. Offshoring, global M+A, and, of course, all the cultural challenges are not new. But China's continuing success, some manufacturing operations coming back to the United States, and Europe's financial tribulations are new and affect HR. The 14th edition covers global issues throughout the chapters. Feedback from users indicates that many prefer that approach since a separate chapter on global HR often went uncovered in their classes. The material is too important to be ignored, so it is integrated. Globally related material is indicated with a global icon.

HR Ethics

The study of ethics has achieved a toe hold in the academic business world, and HR is a fertile area for the practical application of ethics material. The potential for unethical dealings in compensation, staffing, EEO, and other areas is large, and problematic. At a minimum, beginning to think about these issues can provide a basis for discussion and a realization that some issues do have this dimension associated with them. There is an HR ethics icon where HR ethics issues are covered.

ORGANIZATION OF THE BOOK

- Each chapter opens with an "HR Headline" designed to introduce chapter material with a real company dilemma or problem. Learning objectives are provided at the beginning of each chapter.
- There is a new case to close each chapter and three additional supplemental cases available for each chapter on the book's Web site.
- Chapters contain a mix of three boxed features designed to do different things: *HR Perspectives* provides real examples of how a company dealt with the issue covered. *HR Skills and Applications* provide a "how to do it" view of the material. Finally, *HR Ethics* highlights ethical issues.
- Each chapter ends with a point by point "Summary."
- "Critical Thinking Challenges" provides questions and exercises to apply what has been learned in each chapter. This is available at the end of each chapter.

Material is organized around five sections:

- The Environment of Human Resource Management
- Workforce, Jobs, and Staffing
- Training, Development, and Performance
- Compensation
- Employee Relations

The 14th edition presents both the continuity and changes occurring within Human Resource Management. The chapters in each section will be highlighted next along with some of the topics of note in each.

Section One: The Environment of Human Resource Management

Section one contains chapters emphasizing the changing environment in which HR operates, and how HR can adapt. *Chapter 1* explains why HR is needed and where employees can actually be a core competency for an organization. Basic HR functions and current HR challenges are covered. Ethics and HR as a career field are discussed. Differences in HR in small and large organizations and the important role of productivity are among the topics expanded in this edition. *Chapter 2* deals with two primary ways of dealing with the changing environment—strategy and HR planning. The strategic planning process and HR's role in it are covered. A process for doing HR planning including environmental analysis, assessing internal and external labor markets, and managing imbalances are identified. The chapter closes on HR metrics and analytics and presents benchmarking and balanced scorecard ideas. Good and bad strategy distinctions, HR analytics, and the HR audit are among topics added or expanded. *Chapter 3* deals with the EEO environment, including the legal requirements, concepts, and vocabulary. This comprehensive chapter also contains material on dealing with the challenges presented by EEO issues. Gender equity in compensation, discrimination based on sexual orientation, and religious discrimination/accommodation were expanded.

Section Two: Workforce, Jobs, and Staffing

Section two looks at people, the jobs they do and bringing the two together for the purpose of accomplishing work. *Chapter 4* profiles the United States' workforce participation rates and skills gaps, before turning to the nature of jobs including job design and redesign, flexibility, telework, and work–life balance. The chapter then presents the most comprehensive coverage of job analysis available in a basic HR text. Treatment of the workforce is all new, as is the presentation of jobs, and flexible jobs. *Chapter 5* looks at the individual/organizational relationship and retention. Individual performance factors including a very brief summary of the leading work motivation ideas and the psychological contract are identified. Absenteeism and turnover including measurement issues are covered. The discussion then turns to retention and management options for improving retention. The focus on individual performance factors is virtually all new as is employee engagement and loyalty, and drivers of retention for top employees. *Chapter 6* considers labor markets and recruiting. A pro/con look at online recruiting and the other recruiting methods commonly used is followed by a comprehensive look at measuring the success of recruiting. Recruiting and employer ethics and the use of technology and social media in recruiting are expanded. *Chapter 7* looks at placement, selection testing, interviewing, and background investigations among other topics. New to this edition is person-organization fit as part of the attraction-selection-attrition framework.

Section Three: Training, Development, and Performance

Section three considers bringing people along in their careers in organizations through training, talent management, and career and performance management. *Chapter 8* explores different potential strategies for training in the organization. A comprehensive model of the training process leads ultimately to training delivery and evaluation. New to this edition are issues associated with sales training, expansion of e-learning (online training) based on new research, and the increased use of simulation and games in training. *Chapter 9* looks at talent management, succession planning, and career issues. The topics have been very much in the literature since the last edition. This is reflected through the entire chapter with special emphasis on integrating talent management into the organization's strategy and ideas for keeping high performers invested

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in their jobs. *Chapter 10* considers identifying and measuring employee performance. Performance appraisal with all its pros and cons are covered as well as hints for the appraisal interview. In this edition, ethical issues surrounding performance appraisal are viewed, and the voluminous new literature in performance has been reviewed and integrated.

Section Four: Compensation

Section four summarizes compensation, incentives, and benefits. *Chapter 11* teaches basic compensation, total rewards, and development of a pay system. New to the 14th edition are strategic compensation decisions, linkage of pay to motivation theories, and current compensation challenges including the use of two-tier wage systems. *Chapter 12* considers variable pay (incentives) and executive pay. Individual, group, and organizational incentive systems are reviewed and the controversial topic of executive compensation is presented. New to this edition are clawbacks, commissions, “say-on-pay”, and exit packages changes. *Chapter 13* explains benefits including types, what can be expected by an employer from benefits administering? New or expanded content includes international benefits, the Patient Protection and Affordable Care Act, outsourcing benefit administration, and self service.

Section Five: Employee Relations

Section five covers risk and safety, employee rights and responsibilities, and unions. *Chapter 14* looks at threats to the well-being of both organizations and employees. OSHA, legal requirements for well-being, safety management, and security concerns are specified. New to this edition are medical marijuana, counterproductive employee behaviors, and expansion of the drug testing material. *Chapter 15* looks at rights existing in the employment agreement including privacy rights, workplace monitoring, investigations, and discipline. Expanded in the 14th edition are alternative dispute-resolution techniques and material on employee rights and ethical issues. *Chapter 16* evaluates the union/management relationship through labor laws, history, collective bargaining, and grievance management. New since the last edition is material on politics and unionization, changes in union membership, and union tactics.

APPENDICES

To keep the chapters sized appropriately, but yet provide additional specific information, the book contains 7 appendices. These provide details on the PHR/SPHR body of knowledge, HR literature, EEO laws, uniform guidelines, illegal pre-employment inquires, EEO enforcement, and HR job descriptions.

SUPPLEMENTS

Instructor’s Resource CD

The Instructor’s Resource CD puts all of the core resources in one place. The IRCD contains the Instructor’s Manual, Test Bank, Examview, and PowerPoint presentation slides.

- *Instructor’s Manual*: The instructor’s manual represents one of the most exciting and useful aids available. Comprehensive teaching materials are provided for each chapter—including overviews, outlines, instructor’s notes, suggested answers to end-of-chapter Review and Applications Questions, suggested questions for the “HR Headline,” “HR Outline,” “HR Best Practices,” and “HR On-the-Job” features, suggested answers to the end-of-chapter case questions, and suggested questions and comments on the supplemental cases for each chapter.
- *Test Bank*: The test bank contains more than 1,800 questions, including multiple choice, true/false, and essay questions. Questions are additionally identified

by type—definition, application, and analytical—and also include AACSB tags for general (NATIONAL) and topic-specific (LOCAL) designations.

- *ExamView*: The easy-to-use ExamView testing software contains all of the questions in the test bank. Instructors can add or edit questions, instructions, and answers. Questions may be selected by previewing them on screen, selecting them randomly, or selecting them by number. Instructor can also create quizzes online whether over the Internet, local area network, or a wide area network.
- *PowerPoint Slide Presentation*: The PowerPoint presentation contains approximately 400 slides to aid in class lectures. They can also be downloaded from the Instructor's Web site.

Study Guide

Designed from a student's perspective, this useful guide provides aids that students can use to maximize results in the classroom and on exams, and, ultimately, in the practice of human resources. Chapter objectives and chapter outlines aid students in reviewing for exams. Study questions include matching, true/false, idea completion, multiple-choice, and essay questions. Answer keys are provided for immediate feedback to reinforce learning.

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As the authors, we are confident the 14th edition of *Human Resource Management* will continue to set the standard for the Human Resource field. As the users of the text, we certainly hope you agree.

Robert L. Mathis, SPHR
John H. Jackson
Sean R. Valentine

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SECTION

1

The Environment of Human Resource Management

CHAPTER 1 Human Resource Management in Organizations

CHAPTER 2 Human Resource Strategy and Planning

CHAPTER 3 Equal Employment Opportunity

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1

CHAPTER

Human Resource Management in Organizations

Learning Objectives

After you have read this chapter, you should be able to:

1. Define human capital.
2. Identify where employees can be used as a core competency.
3. Show the seven categories of HR functions.
4. Provide an overview of four challenges facing HR today.
5. Explain how organizational ethical issues affect HR management.
6. Explain the key competencies needed by HR professionals and why certification is important.

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HR HEADLINE

Human Resource Management Done Well

DOW CORNING CENTER

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Dow Corning is a giant company with over 10,000 employees in 40 locations worldwide. Many Dow Corning offices are considered among the very best places to work. The company needs engaged employees working every day to turn its strategy into reality. To help that happen, the company's Human Resources department has been made a member of the company's Executive Council. The company believes it cannot reach its potential unless investment is made in its people. After all, employees are the source of all ideas, actions, and performance. Hiring the right people and getting them in the correct jobs, communicating with them, and developing them for greater opportunities are keys to the company's success. However, if company-wide efforts are to be successful in a competitive world, all the human resources decisions must strike a balance among the needs of employees, the economics of the business, and organizational performance.

To measure the extent to which the Human Resources department at Dow Corning is doing its job, elements of human resource (HR) performance are measured and benchmarked against how well competitors are doing in these areas. One common metric regarding human capital is turnover (the rate at which people leave the company). Historically in Dow Corning's U.S. operations, turnover has been about 2% annually, well below average. The average tenure at Dow Corning is 11 years. Employees who start with the company out of high school and are still there 20 or 30 years later are not uncommon.

The HR challenges facing Dow Corning, however, are not unlike those facing most businesses today.

- Finding the right people, especially in developing countries
- Communicating complex information like salary, benefits, and program design around the worldwide operation

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- Designing opportunities for career advancement within countries and across the entire organization
- Finding meaningful rewards that also encourage the behaviors needed

Some companies hold that their most important assets walk out the door each evening. How does Dow Corning make sure they come back the next morning? The company asked employees why they stay and the employees answered: The people they work with, the opportunities to move up, workplace flexibility, and interesting work keep them there.[1]

Human beings are a necessary, varied, and sometimes problematic resource that different organizations use to a greater or lesser degree. For some organizations, talented employees are the cornerstone of a competitive advantage. If the organization is to compete on the basis of new ideas, outstanding customer service, or quick, accurate decisions, having excellent employees is critical. Of course, not every organization must compete on the basis of having the best employees, but even for those that do not, employees are a major source of organizational performance, problems, growth, resistance and lawsuits.

Productive, creative, and reliable people working in a flexible organization at rewarding work should be the goal for a company in getting the most out of the money spent on its employees. Such organizations often earn the reputation as good employers and as a result have more and better potential employees available than competitors. But how does an employer accomplish such a goal?

When an organization employs people certain things must be done to recruit and retain the best people. Finding potentially good employees, training them, paying them appropriately, giving them good work to do, and providing opportunities to succeed are but a few of the activities someone in the organization must address. Most often it is a Human Resources department that does so.

But even doing such traditional HR activities well is not enough to earn a reputation as a desirable place to work. A company that can do these things well and also look ahead to address the challenges coming, operate ethically, and maintain high productivity can see its human resource practices earn an advantage over competitors.

L01 Define human capital.

1-1 ■ WHAT IS HUMAN RESOURCE MANAGEMENT?

What is now called human resource management has evolved a great deal since its beginnings circa 1900. What began as a primarily clerical operation in larger companies concerned with payroll and employee records faced changes with the social legislation of the 1960s and 1970s. “Personnel departments,” as they came to be called, became concerned with the legal ramifications of policies and procedures affecting employees. In the 1990s, globalization and competition began forcing

Human Resource departments to become more concerned with costs, planning, and the implications of various HR strategies for both organizations and their employees. More recently human resource operations in some companies have been involved with mergers and acquisitions, outsourcing, and managing vendors of certain traditional HR activities such as payroll and executive search. HR may also advise the CEO or chairman of the board in filling vacancies among executives and directors.[2]

Human Resource (HR) management
The design of formal systems in an organization to manage human talent for accomplishing organizational goals.

Human Resource management is designing formal systems in an organization to manage human talent for accomplishing organizational goals. Whether a big company with 10,000 employees or a small nonprofit organization with 10 employees, those employees must be paid, which means an appropriate and legal compensation system is needed. Employees also must be recruited, selected, trained, and managed. Each of these activities requires thought and understanding about what may work well and what may not. Research on these issues and the knowledge gained from successful approaches form the basis for effective HR management.

1-1a Why Organizations Need HR Management

Not every organization has an HR department. In a company with an owner and 10 employees, for example, the owner usually takes care of HR issues. However, despite the obvious differences between large and small organizations, the same HR issues must be dealt with in every organization.

In a sense *every* manager in an organization is an HR manager. Sales managers, head nurses, drafting supervisors, college deans, and accounting department supervisors all engage in HR management, and their effectiveness depends in part on the success of organizational HR systems. It is unrealistic: however: to expect a nursing supervisor to know about the nuances of equal employment regulations or how to design a compensation system. For that reason, larger organizations frequently have people who specialize in these activities which form the HR function or department.

Cooperation between operating managers and the HR department is necessary for HR efforts to succeed. In many cases, the HR department designs processes and systems that the operating managers must help implement. The exact division of labor between the two varies from organization to organization. Throughout this book there will be examples of how HR responsibilities in various areas typically are divided in organizations having HR departments. The suggestions will appear as figures (e.g., see Figure 1-1). That figure shows how the responsibilities for selection interviewing might be divided between an HR department and the other managers in the organization.

1-1b Human Capital

Organizations must manage four types of assets to be successful:

- *Physical assets*: buildings, land, furniture, computers, vehicles, equipment, and so on.
- *Financial assets*: cash, financial resources, stocks, bonds or debt, and so on.
- *Intellectual property assets*: specialized research capabilities, patents, information systems, designs, operating processes, copyrights, and so on.

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FIGURE 1-1 Typical Division of HR Responsibilities: Selection Interviewing

HR Department

- Develops legal, effective interviewing techniques
- Trains managers in conducting selection interviews
- Conducts interviews and tests
- Sends top applicants to managers for final interview
- Checks references
- Does final interviewing and hiring for certain job classifications

Managers

- Advise HR of job openings
- Decide whether to do own final interviewing
- Receive interview training from HR unit
- Do final interviewing and hiring where appropriate
- Review reference information
- Provide feedback to HR department on hiring/rejection decisions

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- *Human assets*: individuals with their talents, capabilities, experience, professional expertise, relationships, and so on.

All these assets are important to varying degrees in different organizations. But the human assets are the "glue" that holds all the other assets together and guides their use to achieve results. Certainly, the cashiers, supervisors, and other employees at Wendy's or Lowe's or the doctors, nurses, receptionists, technical professionals, and other employees at a hospital allow all the other assets of their organization to be used to provide customer or patient services. Effective use of the firm's human capital may explain a significant part of the difference in higher market value between companies.

Human capital is not just the people in organizations—it is also what those people contribute to organizational success. Broadly defined **human capital** is the collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organizational workforce.

Human capital
The collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organizational workforce.

Sometimes human capital is called *intellectual capital* to reflect the thinking, knowledge, creativity, and decision making that people in organizations contribute. For example, firms with high intellectual capital may have technical and research employees who create new intellectual property such as biomedical devices, formulate pharmaceuticals that can be patented, or develop new software for specialized uses. All these organizational contributions illustrate the potential value of human capital. However, it should also be noted that unlike intellectual property that the organization *does* own (e.g., patents) it does *not own* its human capital.

A fundamental question is whether better human resource management strategies create higher market value for companies, or whether financially successful companies have more resources to allocate to human capital initiatives. It can be argued that hiring the right people, supporting their creative thinking and productivity, and combining it all with the right technology should build superior business performance and shareholder value.[3] However, the relationship between these two perspectives is more complex than that. In fact, it appears that the way the HR practices *are implemented* affects results.[4] Generally, better HR practices should improve firm performance if implemented properly, and having superior human capital can indeed influence company performance.[5]

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1-1c Managing Human Resources in Organizations

Human resources/human capital (or more simply people) who work in organizations may have valuable contributions they can make to the organization's mission. But these contributions will occur only if people have a reasonable opportunity to contribute. Employees must be placed into the right job, be trained, and given feedback if they are to do well. As noted earlier, it is not just the HR department that does these things, but a team effort between operating managers and the HR department, if one exists.[6] Managing people ultimately has to do with the choices the HR department and managers make from among the wide range of possible choices on the formal policies, practices, and methods for managing employees.[7] Examples of such systems and policies are pay system design, performance measurement, vacation policy, and hiring processes.

Human Resources in Smaller Organizations In the United States and worldwide, small businesses employ more than half of all private-sector employees and generate many new jobs each year. In surveys over several years by the U.S. Small Business Association (SBA), the issues identified as significant concerns in small organizations were consistent: not having enough qualified workers, the rapidly increasing costs of employee benefits, payroll taxes, and compliance with government regulations. Notice that all these concerns have an HR focus, especially when governmental compliance with wage/hour, safety, equal employment, and other regulations are considered.

When new employees are to be hired in a small organization, line managers usually do the recruiting, selecting, and orientation. These HR activities, however, reduce the amount of time managers have available to focus on their regular jobs. As a result, when such activities become more frequent, hiring someone to do them allows managers to spend more time on things only they can do. At about 80–100 employees, small organizations typically find that they need to designate someone to specialize in HR issues. Other HR positions are added as specialists (e.g., in compensation, training, or recruiting) as the company grows larger. The need for HR grows as an organization grows until it evolves into a specialty with specialists assigned to specific duties. However, for HR to be most useful it must remain firmly attached to the operating management of the organization. Without that attachment HR functions cannot reach their potential.

How Human Resource Management Is Sometimes Seen in Organizations HR departments have been viewed in different ways, both positive and negative. HR management is necessary, especially to deal with the huge number of government regulations enacted over the past decades. However, the need to protect corporate assets against the many legal issues often makes the HR function an enforcement role, which may be seen as negative, restrictive, and not focused on getting the business of the organization done.

The legal compliance role can create negative views of HR staff in others. The negative perception that some employees, managers, and executives have is that HR departments are too bureaucratic, detail-oriented, and costly and are comprised of naysayers. These critics do not see HR as making significant organizational contributions. Unfortunately, these views are accurate in some workplaces. Frequently, HR is seen as being more concerned about *activities* than *results*, and HR efforts are seldom seen as linking employee, managerial, and business performance.[8]

Despite such concerns, the HR function *can be* a very important contributor to strategic success if done well.[9] HR must be part of any organization, so it makes sense to see that it is done well.

1-1d Human Resource as a Core Competency

Core competency
A unique capability that creates high value at which an organization excels.

The development and implementation of specific strategies must be based on the areas of strength in an organization. Referred to as *core competencies*, those strengths are the foundation for creating a competitive advantage for an organization. A **core competency** is a unique capability that creates high value at which an organization excels.

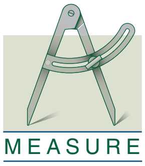
Certainly, many organizations have identified that their HR practices differentiate them from their competitors and that HR is a key determinant of competitive advantage. Recognizing this, organizations as diverse as FedEx, Nordstrom, and Dow Corning have focused on human resources as having special strategic value for the organization.

The same can be true with small companies as well. For example, small community banks have added numerous small- and medium-sized commercial loan customers because those banks emphasize that their customers can deal with the same employees directly every time they need help, rather than having to call an automated service center in another state, which is the case with some larger nationwide banks. The focus here is on using people (loan officers) as a core competency.

LO2 Identify where employees can be used as a core competency.

1-2 ■ WHERE EMPLOYEES CAN BE A CORE COMPETENCY

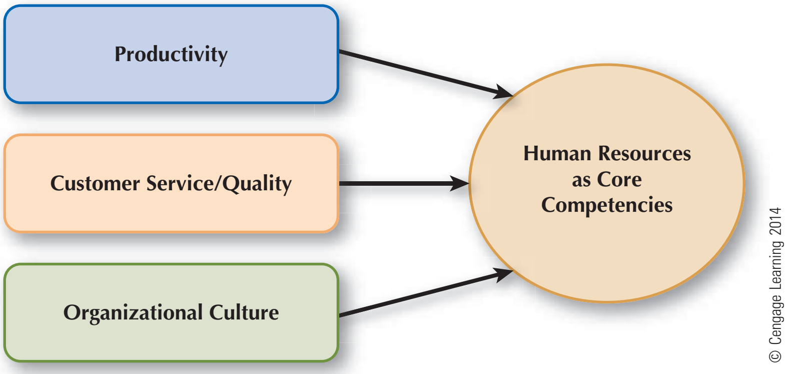
If employees are really to be a core competency for an organization, how might that occur? The possible areas for using employees as a core competency are many, but the focus here will be on three common areas, as shown in Figure 1-2—productivity, customer service/quality, and organizational culture.



1-2a Productivity

Productivity can be a competitive advantage because when the costs to produce goods and services are lowered through high productivity, lower prices can be charged. The result is better sales. Better productivity does not necessarily mean more output. Perhaps fewer people (or less money or time) are used to produce

FIGURE 1-2 Where Employees Can Be a Core Competency



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Productivity
Measure of the quantity and quality of work done, considering the cost of the resources used.

Unit labor cost
Computed by dividing the average cost of workers by their average levels of output.

the same amount. In its most basic sense, **productivity** is a measure of the quantity and quality of work done, considering the cost of the resources used. A useful way to measure the productivity of a workforce is to determine the total cost of people required for each unit of output.[10] For example, a retailer may measure productivity as a ratio of employee payroll and benefits to sales, or a bank may compare the number and dollar amount of loans made to the number of loan officers employed. This example provides a metric of productivity per loan officer.

A useful way of measuring the productivity of human resources is to consider **unit labor cost**, which is computed by dividing the average cost of workers by their average levels of output. Using unit labor costs, one can see that relatively high wages will not affect competitiveness if high productivity levels are achieved. Low unit labor costs can be a basis for a strategy focusing on Human Resource competency. Productivity and unit labor costs can be evaluated at the global, country, organizational, departmental, or individual level.

Improving Productivity Productivity at the organizational level ultimately affects profitability and competitiveness in a for-profit organization and total costs in a not-for-profit organization. Perhaps of all the resources used in organizations, the ones most closely scrutinized are human resources. Many HR management efforts are designed to enhance productivity, as Figure 1-3 indicates. Among the major ways to increase employee productivity are as follows:

- *Organizational restructuring* involves eliminating layers of management and changing reporting relationships as well as cutting staff through downsizing, layoffs, and early retirement buyout programs.
- *Redesigning work* often involves having fewer employees who perform multiple job tasks. It may also involve replacing workers with capital equipment or making them more efficient by use of technology or new processes.[11]
- *Aligning HR activities* means making HR efforts consistent with organizational efforts to improve productivity. This alignment includes ensuring that staffing, training and development, performance management, compensation, and other HR activities are not working to offset productivity.[12]
- *Outsourcing analyses* require HR to conduct cost-benefit analysis to examine the impact of outsourcing. Additional factors may include negotiating with outsourcing vendors, ensuring that contractors domestically and internationally are operating legally and appropriately, and linking organizational employees to the outsourcing firm's employees.[13]

1-2b Customer Service and Quality

In addition to productivity, both customer service and quality significantly affect organizational effectiveness and can be an HR focus for a core competency. Having managers and employees focus on the customers' needs contributes significantly to achieving organizational goals and maintaining a competitive advantage. In most organizations, service quality is greatly influenced by the individual employees who interact with customers.[14] For instance, organizations with high employee turnover rates may see slow sales growth. It seems customers consider continuity of customer service representatives important in their buying decisions.[15]

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