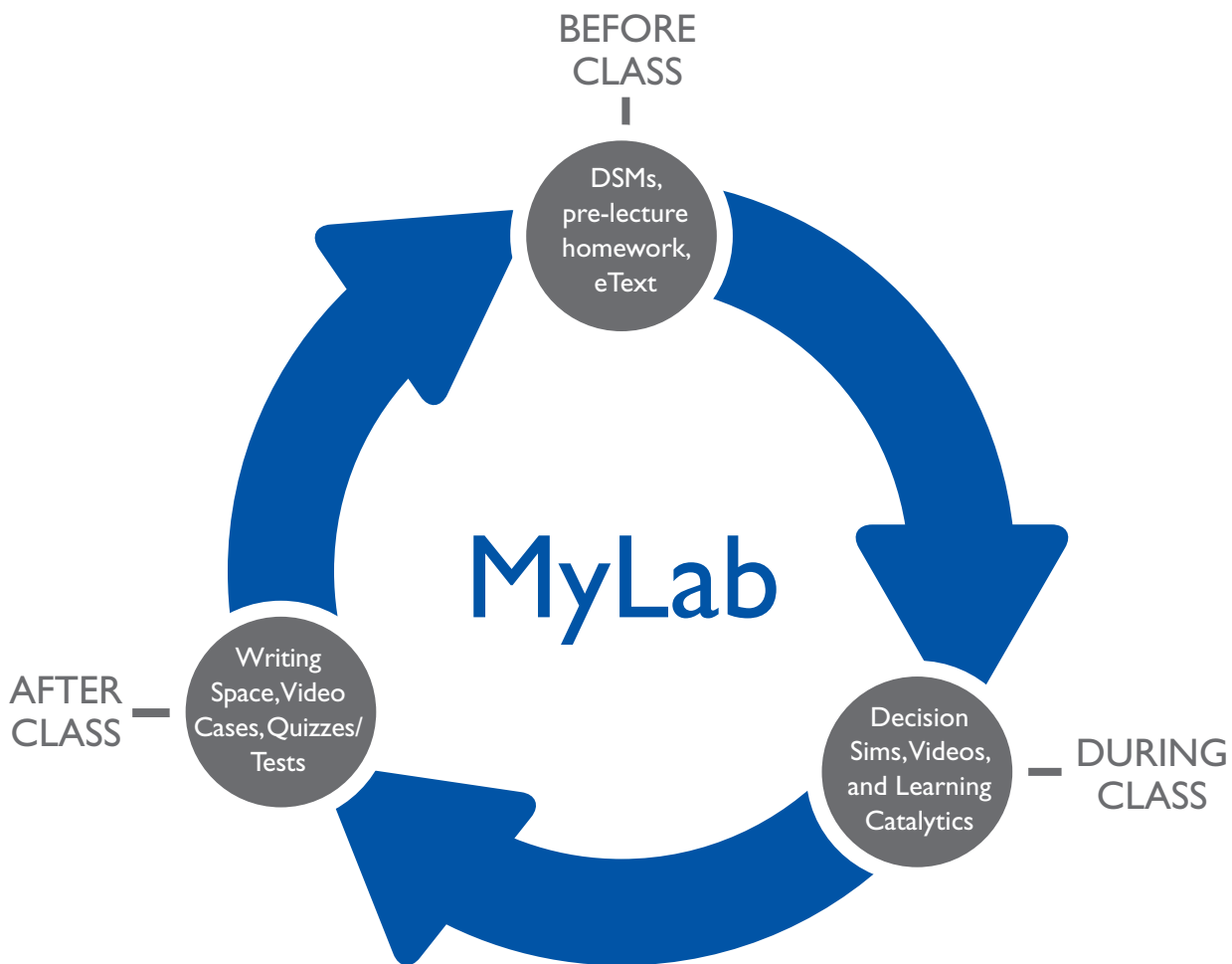# Human Resource Management

Fifteenth Edition
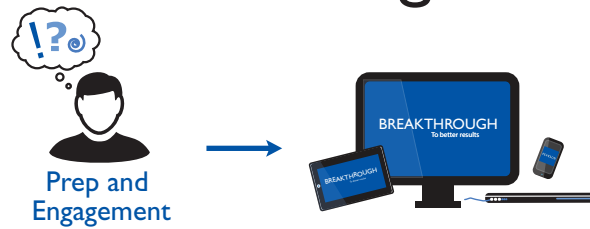
Gary Dessler

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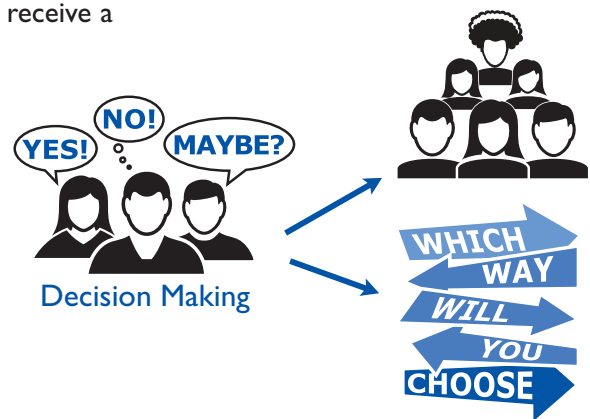
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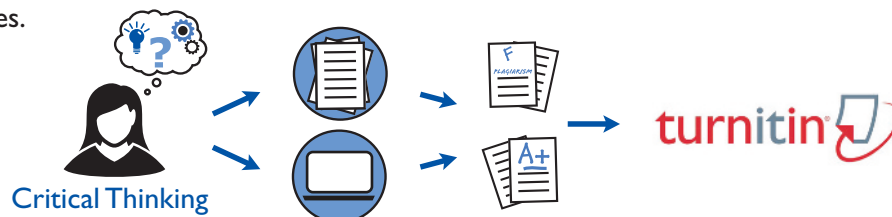
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PEARSON

Company's Strategic Goals

Employee Competencies and Behaviors Required for Company to Achieve These Strategic Goals

Strategic and Legal Environment

Recruitment and Placement

Training and Development

Compensation

Employee Relations

HR Policies and Practices Required to Produce Employee Competencies and Behaviors

WHERE WE ARE NOW

The framework above introduces each chapter and makes the following point: That the firm's HR policies and practices should produce the employee skills and behaviors the company needs to achieve its strategic aims.

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Human Resource Management

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Human Resource Management

Fifteenth Edition

GARY DESSLER
Florida International University

PEARSON

FOR CLAUDIA

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PREFACE

Human Resource Management, 15th edition, provides students in human resource management courses and practicing managers with a full and practical introduction to modern human resource management concepts and techniques in a highly readable form. With employers increasingly shifting HR tasks to managers and employees, I feel even more strongly than I did when I wrote the first edition that all managers—not just HR managers—need a strong foundation in human resource management concepts and techniques to do their jobs. You will therefore find an emphasis here on practical material you need to perform your day-to-day management responsibilities, even if you never spend one day as a human resource manager.

Things are changing fast in human resource management, and as this book makes clear we are today on the cusp of what is really the New Human Resource Management. For example, Accenture estimates that social media tools like LinkedIn will soon produce up to 80% of new recruits.[1] Cloud computing and intuitive user interfaces let managers monitor goal attainment and give real-time performance feedback continuously and interactively, rather than once or twice per year.[2] Mobile applications enable HR capabilities ranging from employee location monitoring to checking digital identities at time clocks. Websites like Knack and True Office help employers add gaming features to training, performance appraisal, and recruiting. Data mining and talent analytics revolutionized how employers such as Google and Xerox identify competencies and recruit and select job candidates.[3]

As we'll see with real examples throughout this book, tools like these are doing more than changing how employers recruit, select, appraise, train, and pay employees—they're also changing who "does" HR. In the New Human Resource Management, digital devices and social media are shifting more HR tasks from central human resource departments to employees and line managers: For instance, easily finding and vetting capable candidates through social media already let many line managers bypass HR to find their own recruits.[4] Changes like these give the line managers more human resource management responsibilities. And they mean that many human resource managers can refocus their efforts *from* day-to-day activities like interviewing candidates *to* broader, strategic efforts, such as formulating plans for boosting employee performance and engagement.

CHANGES AND NEW FEATURES

You'll therefore find six important changes for this edition:

- **New *Trends Shaping HR* Features**

Many employers are living the future of HR management today. To bring this New Human Resource Management to life, just about every chapter has one or more **Trends Shaping HR** features, each focusing on Digital and Social

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[1] Accenture, "Top Trends That Will Reshape the Future of HR: The Future of HR," www.accenture.com/us-en/insight-future-of-hr.aspx, accessed March 6, 2015.

[2] https://go.oracle.com/LP=3174?elqCampaignId=6310&src1=ad:pas:go:dg:tal&src2=wwmk1405 4343mpp012&SC=sckw=WWMK14054343MPP012, accessed April 4, 2015.

[3] Josh Bersin, "Big Data in Human Resources: Talent Analytics (People Analytics) Comes of Age," www.forbes.com/sites/joshbersin/2013/02/17/bigdata-in-human-resources-talent-analytics-comes-of-age/, accessed March 29, 2015.

[4] Accenture, "Top Trends That Will Reshape the Future of HR."

Media, Customized Talent Management, Science in Talent Management, or The Extended Workforce. Here are some examples from the book:

TRENDS SHAPING HR: *Digital and Social Media*

Digital and social media tools and the new human resource management.
Digital and social media tools are changing how people look for jobs, and how companies recruit, retain, pay, and train employees. In doing so, they've transformed the practice of human resource management, and created, in a sense, a new human resource management. Here are some examples.

TRENDS SHAPING HR: *Customized Talent Management*

There has always been some customizing of appraisals. For example, rating a salesperson based on whether she attained her sales goals assumes she had her own customized goals to meet.

Today, some employers are customizing their appraisal in other ways. For example, it is increasingly common for companies to adapt their appraisals to how critical the employees are to the company's strategic success—their "mission-critical" employees. For example, GE prioritizes jobs and focuses on what it calls its employee "game changers."[53] Unilever includes 15% of employees per management level in its high-potential list each year.[54] Shell China appoints "career stewards" to meet regularly with "emerging leaders."[55] McKinsey & Co. recommends limiting the "high

TRENDS SHAPING HR: *Science in Talent Management*

Most employers use tools like job boards to produce large numbers of recruits, and then use ATS and screening systems to cut those numbers down. Google's "People Operations" (HR) group is more scientific. When their research showed that tools like job boards weren't cost-effective for them, they created their own in-house recruiting firm. This in-house team uses a proprietary candidate database called gHire. Google's recruiters continually expand and winnow this candidate list, by searching social networking and other sites, by searching who's working where, and by reaching out to prospective hires and maintaining dialogues with them, sometimes for years. These in-house recruiters produce hand-picked candidates and account for about half of Google's yearly hires.[73]

TRENDS SHAPING HR: *The New Extended Workforce*

Many employers today build their staff wholly or in part around an extended workforce consisting, for instance, of freelance programmers, designers, or marketers. Freelancer community websites enable such employers to recruit the right freelance team based on the freelancer's reputation and work product. For example, Elance.com (see www.elance.com/) reports its members' skills assessments, and lists detailed project work experience, making it easier for prospective employers to decide who to hire. Similarly, the TopCoder.com (see www.topcoder.com/how-it-works/) programming community site enables employers to identify top programmers based on the reputations they earned within the community. New hiring sites like these may have a big impact on HR. Some employers may well use them to democratize HR, by letting their line managers recruit and hire new employees directly. ■

- **New *The Strategic Context* Features**

As employers devolve more HR tasks to supervisors and employees and use performance management systems to link employees' actions to the company's goals, supervisors and employees need a "line of sight" that shows them how their HR actions impact the company's goals. I've therefore added to this edition **The Strategic Context** features. Integrated with chapter-opening scenarios, these features show how actual managers adjusted their HR actions to produce the employee competencies and skills that were needed to achieve the company's strategic aims.

In addition, a **Fully Integrated Strategy Case and Strategy Maps** again provide the most comprehensive treatment of strategic human resource management in any HR survey text:

✓ Chapter 1 introduces and Chapter 3 presents the concepts and techniques of human resource strategy.

✓ Each chapter starting with Chapter 3 contains a continuing "Hotel Paris" case, written to help make strategic human resource management come alive for readers. The continuing case shows how this hotel company's HR director uses that chapter's human resource management concepts and techniques to create HR policies and practices that produce the employee skills and behaviors the Hotel Paris needs to improve its service and thereby achieve its strategic goals.

✓ An overall strategy map for the Hotel Paris on the book's inside back cover, and chapter-specific Hotel Paris strategy maps in the accompanying MyManagementLab®, help readers understand and follow the strategic implications of the hotel's HR decisions.

✓ "Eiffel Tower" callouts in each chapter draw students' attention to the Hotel Paris case.

- **New *Employee Engagement Guide for Managers* Features**

Employee engagement refers to being psychologically involved in, connected to, and committed to getting one's jobs done. Trends including intensifying global competition and more millennials in the workforce make employee engagement crucial today (a fact recognized by the new Employee Engagement section in the Society for Human Resource Management's certification exams). Recent surveys show that about 70% of employees are disengaged at work. I use new *Employee Engagement Guide for Managers* sections in Chapters 3–17 to show

how managers use human resource activities to improve employee engagement. For example, Chapter 3's guide shows how Kia Motors (UK) improved employee engagement, Chapter 6's guide shows how Toyota uses a total selection program to improve engagement, and Chapter 14's guide shows how "Great Companies to Work For" like Google and SAS develop the positive employee relations that help foster employee engagement.

- **New *SHRM* Coverage**

Starting in 2015,the Society for Human Resource Management (SHRM) began offering its own competency and knowledge-based testing and certifications for SHRM Certified Professionals and SHRM Senior Certified Professionals, based on its own certification exams.[5] The new SHRM exams put new emphases on Employee Engagement and on Employee Relations, two topics that this new 15th edition covers more comprehensively than does any other survey book with which I'm familiar (with the exception of my *Fundamentals of Human Resource Management, 4th edition*, Pearson 2015).

   I've also summarized separately the SHRM and the HR Certification Institute's (HRCI's) knowledge bases in Appendices A and B of this book, (pages 612–629). One covers SHRM's functional knowledge areas (such as employee relations). The other covers HRCI's seven main knowledge areas (such as Strategic Business Management and Workforce Planning and Employment). The latter also lists about 91 specific HRCI "Knowledge of" subject areas within these seven main topic areas with which those taking the test should be familiar. You'll also find throughout this book special Knowledge Base icons starting in Chapter 2 to denote coverage of SHRM and/or HRCI knowledge topics.

- **Revised Chapter 10 (Managing Careers) and Chapter 14 (Building Positive Employee Relations)**

With the new Employee Engagement Guide for Managers features in most chapters, I revised Chapter 10 (Managing Careers and Retention, formerly Managing Employee Retention, Engagement, and Careers) to focus more on career management practices and employee retention techniques. With SHRM's new emphasis on employee relations, I also revised Chapter 14 (formerly Ethics, Employee Relations, and Fair Treatment at Work) to more comprehensively address (unique to this book) how real companies build employee relations.

- **New: Sustainability and HRM**

In a world where sea levels are rising, glaciers are crumbling, and increasing numbers of people view financial inequity as outrageous, more and more people say that businesses can't just measure "performance" in terms of maximizing profits. This 15th edition contains all-new material on sustainability and on the roles of HR management in implementing companies' sustainability efforts.

MYMANAGEMENTLAB SUGGESTED ACTIVITIES

For the 15th edition, I am excited that Pearson's MyManagementLab has been integrated fully into the text. The new features are outlined below. Making these assessment activities available online for students to complete before coming to class should give you, the professor, more discussion time during class to review areas that students may be having difficulty with.

Learn It

Students can be assigned the Chapter Warm-Up before coming to class. Assigning these questions ahead of time will hopefully help ensure that students come to class prepared.

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[5] www.shrm.org/certification/pages/default.aspx#sthash.JRZQeAWR.dpuf, accessed September 8, 2015.

Watch It

Recommends a video clip that can be assigned to students for outside classroom viewing or for in-classroom use. The video I chose for each chapter corresponds to the chapter material and is accompanied by multiple-choice questions that reinforce students' comprehension of the chapter content.

Try It

Recommends a mini-simulation that can be assigned to students as an outside classroom activity or that can be done in the classroom. As students watch the simulation, they will be asked to make choices based on the simulation scenario. At the end of the simulation, students receive immediate feedback based on their answers. These simulations reinforce the chapter's concepts, as well as students' comprehension of those concepts.

Talk About It

These are discussion-type questions that can be assigned as an activity within the classroom.

Assisted-Graded Writing Questions

These are short essay questions that the students can complete as an assignment and submit to you, the professor, for grading.

FEATURES CONTINUED FROM 14TH EDITION

Given the very positive response to the 14th edition and to the continuing challenges that world economies still face, I continued the 14th edition's emphasis on improving performance, productivity, and profitability in this 15th edition, and kept several features:

Improving Performance: features again demonstrate real-world human resource management tools and practices that managers actually use to improve performance. The discussion questions within each of the three boxed Improving Performance features are also in the accompanying MyManagementLab®. These features include:

▶ **IMPROVING PERFORMANCE:** *HR as a Profit Center*

Turnover and Performance

What is the link between turnover and organizational performance? Perhaps surprisingly, the issue isn't clear (although it would seem obvious that firing an incompetent employee would be a positive).[33] The problem is that what might be a positive in individual cases becomes a negative when the employer repeatedly loses employees. One study concludes that *all* turnover, voluntary or involuntary,

Improving Performance: HR as a Profit Center: contains actual examples of how human resource management practices add value by reducing costs or boosting revenues.

Improving Performance: HR Tools for Line Managers and Small Businesses: explains that many line managers and entrepreneurs are "on their own" when it comes to human resource management, and describes work sampling tests and other straightforward HR tools that line managers and entrepreneurs can create and safely use to improve performance.

▶ **IMPROVING PERFORMANCE:** *HR Tools for Line Managers and Small Businesses*

How to Conduct an Effective Interview

You may not have the time or inclination to create a structured situational interview. However, there is still much you can do to make your interviews systematic and productive.

Step 1: **First, know the job.** Do not start the interview unless you understand the job's duties and what human skills you're looking for. Study the job description.

Step 2: **structure the interview.** Any structuring is better than none. If pressed for time, you can still do several things to ask more consistent and job-relevant questions, without developing a full-blown structured interview.[77] For example:[78]

• Base questions on *actual job duties*. This will minimize irrelevant questions.

• Use *job knowledge, situational, or behavioral questions*. Questions that simply ask for opinions and attitudes, goals and aspirations, and self-descriptions and self-evaluations allow candidates to present themselves in an overly favorable manner or avoid revealing

Improving Performance: HR Practices Around the Globe: shows how actual companies around the globe use HR practices to improve their teams' and companies' performance, while illustrating the challenges managers face in managing internationally.

> **IMPROVING PERFORMANCE:** *HR Practices around the Globe*
>
> **Career Development at Medtronic**[30]
>
> Medtronic is a global medical technology company with more than 85,000 employees around the world. The company offers a wide range of career planning and development support tools aimed at helping employees understand their occupational strengths and weaknesses and reach their potential. These tools include customized development plans, self-assessment and feedback tools, mentoring programs,

Improving Performance Through HRIS: are embedded features that demonstrate how managers use human resource technology to improve performance.

And as in the 14th edition:

Know Your Employment Law sections within each chapter discuss the practical implications of the employment laws that apply to that chapter's topics, such as the laws relating to recruitment (Chapter 5), selection (Chapter 6), training (Chapter 8), and safety (Chapter 16).

Diversity Counts features provide practical insights for managing a diverse workforce, for instance, regarding gender bias in selection decisions, bias in performance appraisal, and "hidden" gender bias in some bonus plans (Chapter 12).

Treatment of Global HR and Small Business HR Management

While this 15th edition again has two chapters devoted to Global HR and to Small Business HR, you will also find in this new 15th edition *Managing HR Around the Globe* boxed features throughout the book, and, similarly, *HR Tools for Line Managers and Small Businesses* boxed features throughout the book.

INSTRUCTOR RESOURCES

At the Instructor Resource Center (www.pearsonhighered.com/irc), instructors can easily register to gain access to a variety of instructor resources available with this text in downloadable format. If assistance is needed, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit http://247.pearsoned.com for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available with this text:

- Instructor's Resource Manual
- Test Bank
- TestGen® Computerized Test Bank
- PowerPoint Presentation
- Additional videos illustrating the most important subject topics are available in MyManagementLab under the Instructor Resources: Business Today.

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ACKNOWLEDGMENTS

Everyone involved in creating this book is proud of what we've achieved. *Human Resource Management* is one of the top-selling books in this market, and, as you read this, students and managers around the world are using versions translated into about a dozen languages, including Thai, French, Spanish, Indonesian, Russian, and Chinese.

Although I am responsible for *Human Resource Management*, I want to thank several people for their assistance. They include, first, the faculty who carefully reviewed the 14th edition, and who made many useful and insightful suggestions:

John Durboraw, *Columbia College*
Lisa Nieman, *Wesleyan University*
Brooke Sorrells, *Virginia College*
Craig Tunwell, *Troy University*

I am very grateful to Gordon Schmidt (Indiana University/Purdue University Fort Wayne) and Angela Boston (University of Texas) for their hard work on updating and improving the supplements for the 15th edition, and to the MyLabs team of Project Manager Toni Ackley, Gordon Schmidt (Indiana University/Purdue University Fort Wayne), Susan C. Schanne (Eastern Michigan University), and Leslie Carnes, SPHR (Ivy Tech Community College).

At Pearson, thank you for the support and dedicated assistance of all involved. I particularly appreciate the insights, suggestions, and personal involvement of Editor-in-Chief Stephanie Wall and Senior Acquisitions Editor Kris Ellis-Levy. Thank you again to my outstanding production team, with whom I've worked for many years: Jeff Holcomb, Project Management Team Lead, and Kelly Warsak, my irreplaceable Project Manager. Thanks to Lenny Ann Kucenski, Field Marketing Manager, and the Pearson sales staff, without whose efforts this book would languish on the shelf, and to Sarah Holle, Program Manager, and Lauren Russell, Editorial Assistant. I want to thank everyone at Pearson International for successfully managing *Human Resource Management's* internationalization. Development editor Kerri Tomasso was extraordinarily helpful, and thank you to Margaret McConnell at Integra.

At home, I want to thank my wife, Claudia, for her support during the many hours I spent working on this edition. My son, Derek, always a source of enormous pride, was very helpful. Lisa, Samantha, and Taylor are always in my thoughts. My parents were always a great source of support and encouragement and would have been very proud to see this book.

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1

Introduction to Human Resource Management

LEARNING OBJECTIVES

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

1-2 Briefly discuss and illustrate each of the important trends influencing human resource management.

1-3 Briefly describe "distributed HR" and other important aspects of human management today.

1-4 List at least four important human resource manager competencies.

1-5 Outline the plan of this book.

For many people today Elance (www.elance.com) symbolizes much of what's new in human resource management. Millions of freelancers from graphic designers to translators, accountants, and lawyers register on the site. Employers then use Elance to find, screen, hire, and pay the talent they need, in more than 180 countries.[1]

Company's Strategic Goals

Employee Competencies and Behaviors Required for Company to Achieve These Strategic Goals

Strategic and Legal Environment

Employee Relations

Recruitment and Placement

HR Policies and Practices Required to Produce Employee Competencies and Behaviors

Compensation

Training and Development

WHERE ARE WE NOW …

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

What is Human Resource Management?

To understand what human resource management is, it's useful to start with what managers do. Elance is an *organization*. An **organization** consists of people (in this case, people like Elance's own in-house sales managers and Web designers) with formally assigned roles who work together to achieve the organization's goals. A **manager** is someone who is responsible for accomplishing the organization's goals, and who does so by managing the efforts of the organization's people.

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

organization

A group consisting of people with formally assigned roles who work together to achieve the organization's goals.

manager

Someone who is responsible for accomplishing the organization's goals, and who does so by managing the efforts of the organization's people.

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

managing

To perform five basic functions: planning, organizing, staffing, leading, and controlling.

management process

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

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

human resource management (HRM)

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

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

And what a manager should know about:

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

Why Is Human Resource Management Important to All Managers?

The concepts and techniques in this book are important to all managers for several reasons.

AVOID PERSONNEL MISTAKES   First, having a command of this knowledge will help you avoid the *personnel mistakes you don't want to make* while managing. For example, you don't want

- To have your employees not doing their best.
- To hire the wrong person for the job.
- To experience high turnover.
- To have your company in court due to your discriminatory actions.
- To have your company cited for unsafe practices.
- To let a lack of training undermine your department's effectiveness.
- To commit any unfair labor practices.

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

IMPROVING PROFITS AND PERFORMANCE   More important, it can *help ensure that you get results—through people*.[2] 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 or by not motivating subordinates. On the other hand, many managers—from generals to presidents to supervisors—have been successful even without adequate plans, organizations, or controls. They were successful because they had the knack for hiring the right people for the right jobs and then 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. This 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.[3]

Because of global competition, technological advances, and economic turmoil, that statement has never been truer than it is today. Human resource management methods like those in this book can help any line manager/supervisor (or HR manager) boost his or her team's and company's levels of engagement, profits and performance. Here are two examples we'll meet in this book:

> *At one Ball Corp.* packaging plant, managers trained supervisors to set and communicate daily performance goals. Management tracked daily goal attainment with team scorecards. Employees received special training to improve their skills. Within 12 months production was up 84 million cans, customer complaints dropped by 50%, and the plant's return on investment rose by $3,090,000.

> *A call center* averaged 18.6 vacancies per year (about a 60% turnover rate). The researchers estimated the cost of a call-center operator leaving at about $21,500. They estimated total annual cost of agent turnover for the call center at $400,853. Cutting that rate in half would save this firm about $200,000 per year.

YOU MAY SPEND SOME TIME AS AN HR MANAGER   Here is another reason to study this book: *you might spend time as a human resource manager*. For example, about a third of large U.S. businesses surveyed appointed non-HR managers to be their top human resource executives. Thus, Pearson Corporation (which publishes this book) promoted the head of one of its publishing divisions to chief human resource

executive at its corporate headquarters. Why? Some think these people may be better equipped to integrate the firm's human resource activities (such as pay policies) with the company's strategic needs (such as by tying executives' incentives to corporate goals).[4] Appointing non-HR people can also be good for the manager. For example, one CEO served a three-year stint as chief human resource officer on the way to becoming CEO. He said the experience he got was invaluable in learning how to develop leaders and in understanding the human side of transforming a company.[5]

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

HR FOR SMALL BUSINESSES   And here is one other 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. Small businesses as a group also account for most of the 600,000 or so new businesses created every year. Statistically speaking, therefore, most people graduating from college in the next few years either will work for small businesses or will create new small businesses of their own.[7] Small firms generally don't have the critical mass required for a full-time human resource manager (let alone an HR department).[8] The owner and his or her other managers (and perhaps assistant) handle tasks such as signing employees on. Gaining a command of the techniques in this book should help you to manage a small firm's human resources more effectively. We'll address human resource management for small businesses in later chapters.

Line and Staff Aspects of Human Resource Management

All managers have always been, in a sense, human resource managers, because they all get involved in recruiting, interviewing, selecting, and training their employees. Yet most firms also have a human resource department with its own top manager. 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, **line authority** traditionally gives managers the right to *issue orders* to other managers or employees. Line authority therefore creates a superior (order giver)–subordinate (order receiver) relationship. When the vice president of sales tells her sales director to "get the sales presentation ready by Tuesday," she is exercising her line authority. **Staff authority** gives a manager the right to *advise* other managers or employees. It creates an advisory relationship. When the human resource manager suggests that the plant manager use a particular selection test, he or she is exercising staff authority.

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

Line Managers' Human Resource Management Responsibilities

However, line managers do have many human resource duties. This is because the direct handling of people has always been part of every line manager's duties, from president down to first-line supervisors. One major company outlines its

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

line authority
Traditionally gives managers the right to issue orders to other managers or employees.

staff authority
Gives a manager the right to advise other managers or employees

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

staff manager
A manager who assists and advises line managers.

line supervisors' responsibilities for effective human resource management under these general headings:

1. Placing the right person in the right job
2. Starting new employees in the organization (orientation)
3. Training employees for jobs that are new to them
4. Improving the job performance of each person
5. Gaining creative 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

And we'll see in this chapter that, if anything, digital tools like *LinkedIn hiring* and cloud computing are actually expanding many line managers' HR responsibilities.

The Human Resource Department

In small organizations, line managers may carry out all these personnel duties unassisted. But as the organization grows, line managers usually need the assistance, specialized knowledge, and advice of a separate human resource staff. In larger firms, the *human resource department* provides such specialized assistance. Figure 1-1 shows human resource management jobs in one organization. Typical positions
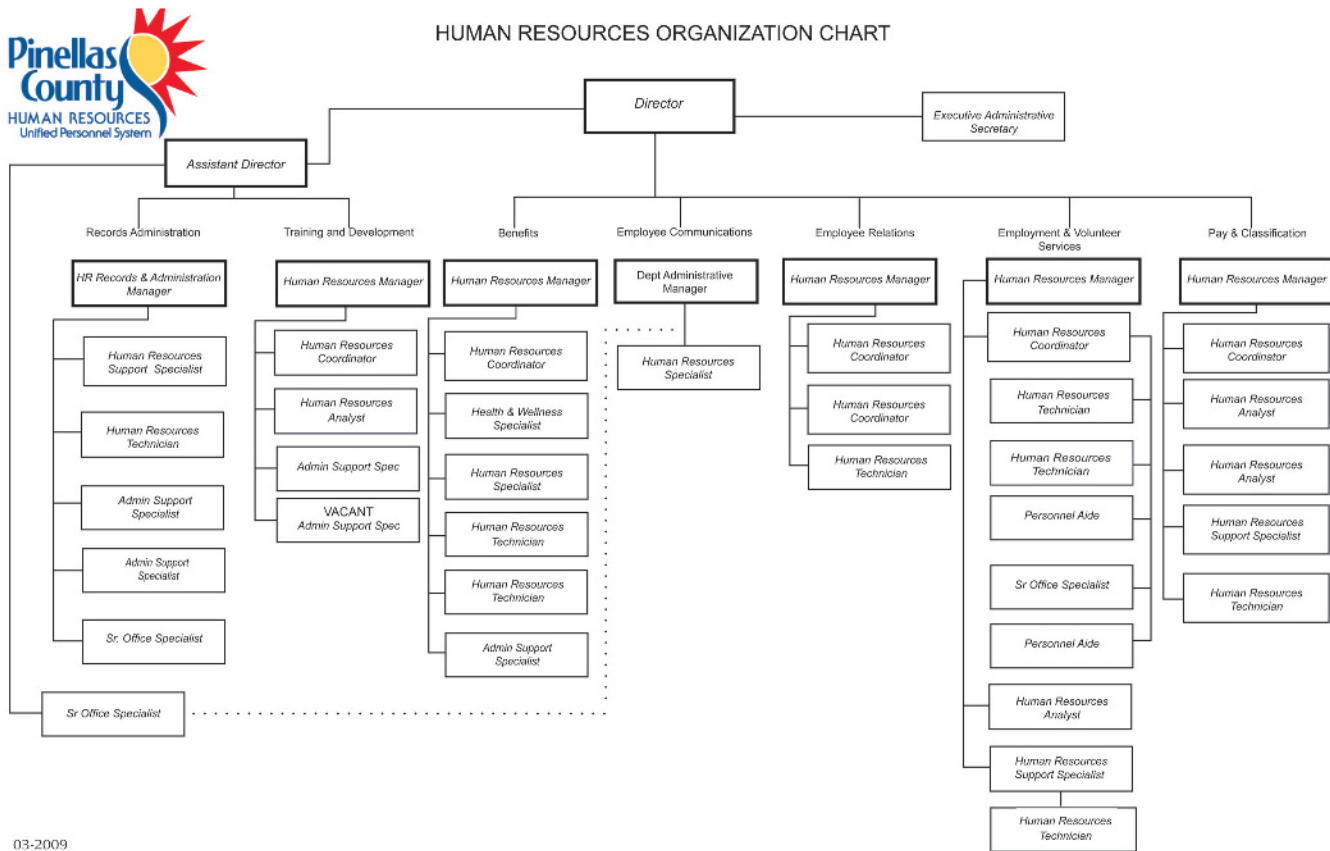
FIGURE 1-1 **Human Resource Department Organization Chart Showing Typical HR Job Titles**
Source: "Human Resource Development Organization Chart Showing Typical HR Job Titles," www.co.pinellas.fl.us/persnl/pdf/orgchart.pdf. Courtesy of Pinellas County Human Resources. Reprinted with permission.

include compensation and benefits manager, employment and recruiting supervisor, training specialist, and employee relations executive. Examples of job duties include:

- *Recruiters:* Maintain contacts within the community and perhaps travel extensively to search for qualified job applicants.
- *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.
- *Labor relations specialists:* Advise management on all aspects of union–management relations.

NEW APPROACHES TO ORGANIZING HR   However, what HR departments do and how they do it are changing. Because of this, many employers are taking a new look at how they organize their human resource functions.[9] For example, one survey found that 44% of the large firms surveyed planned to change how they organize and deliver HR services.[10] Most plan to use technology to institute more "*shared services*" (or "transactional") arrangements.[11] These establish centralized HR units whose employees are shared by all the companies' departments to assist the departments' line managers in human resource matters. These shared services HR teams generally offer their services through intranets or centralized call centers; they aim to provide managers and employees with specialized support in day-to-day HR activities (such as discipline problems). You may also find specialized *corporate HR teams* within a company. These assist top management in top-level issues such as developing the personnel aspects of the company's long-term strategic plan. *Embedded HR teams* have HR generalists (also known as "relationship managers" or "HR business partners") assigned to functional departments like sales and production. They provide the selection and other assistance the departments need. *Centers of expertise* are basically specialized HR consulting firms within the company. For example, one center might provide specialized advice in areas such as organizational change to all the company's various units.

The Trends Shaping Human Resource Management

Working cooperatively with line managers, human resource managers have long helped employers hire and fire employees, administer benefits, and conduct appraisals. However, trends are occurring in the environment of human resource management that are changing how employers get their human resource management tasks done. These trends include workforce trends, trends in how people work, technological trends, and globalization and economic trends.

Workforce Demographics and Diversity Trends

The composition of the workforce will continue to change over the next few years; specifically, it will continue to become more diverse with more women, minority group members, and older workers in the workforce.[12] Table 1-1 offers a bird's-eye view. Between 1992 and 2022, the percent of the workforce that the U.S. Department of Labor classifies as "white" will drop from 85% to 77.7%. At the same time, the percent of the workforce that it classifies as "Asian" will rise from 4% to 6.2%, and those of Hispanic origin will rise from 8.9% to 19.1%. The percentages of younger workers will fall, while those over 55 years of age will leap from 11.8% of the workforce in 1992 to 25.6% in 2022.[13] Many employers call "the aging workforce" a big problem. The problem is that there aren't enough younger workers to replace the projected

TABLE 1-1 Demographic Groups as a Percent of the Workforce, 1992–2022

Age, Race, and Ethnicity	1992	2002	2012	2022
Age: 16–24	16.9%	15.4%	13.7%	11.3%
25–54	71.4	70.2	65.3	63.1
55+	11.8	14.3	20.9	25.6
White	85.0	82.8	79.8	77.7
Black	11.1	11.4	11.9	12.4
Asian	4.0	4.6	5.3	6.2
Hispanic origin	8.9	12.4	15.7	19.1

Source: Based on U.S. Bureau of Labor Statistics Economic News Release December 19, 2013. www.bls .gov/news.release/ecopro.t01.htm, accessed May 12, 2015.

number of baby boom–era older workers (born roughly 1946–1964) retiring.[14] Many employers are bringing retirees back (or just trying to keep them from leaving).

With overall projected workforce shortfalls (not enough younger workers to replace retirees), many employers are hiring foreign workers for U.S. jobs. The H-1B visa program lets U.S. employers recruit skilled foreign professionals to work in the United States when they can't find qualified American workers. U.S. employers bring in about 181,000 foreign workers per year under these programs, although such programs face opposition.[15]

Other firms are shifting to nontraditional workers. Nontraditional workers are those who hold multiple jobs, or who are "temporary" or part-time workers, or those working in alternative arrangements (such as a mother–daughter team sharing one clerical job). Others serve as "independent contractors" for specific projects. Almost 10% of American workers—13 million people—fit this nontraditional workforce category.

Some employers find millennials or "generation Y" employees (those born roughly between 1982 and 2004) a challenge to deal with, and this isn't just an American phenomenon. For example, the *New York Times* recently reported that because China's one-child rule led many parents to pamper their children, China's senior army officers are having problems getting millennial-aged volunteers and conscripts to shape up.[16]

On the other hand, millennials also bring a vast array of skills. They've grown up with social media and are expert at collaborating online. And, having grown up with Apple and Google, they're comfortable with innovation.

Trends in How People Work

At the same time, work has shifted from manufacturing jobs to service jobs in North America and Western Europe. Today over two-thirds of the U.S. workforce is employed in producing and delivering services, not products. By 2020, service-providing industries are expected to account for 131 million out of 150 million (87%) of wage and salary jobs overall. So in the next few years, almost all the new jobs added in the United States will be in services, not in goods-producing industries.[17]

ON-DEMAND WORKERS Anyone who has registered on Uber already knows something about on-demand workers.[18] At last count, Uber was signing up almost 40,000 new independent contractor drivers per month, a rate that was doubling every few months.

Today, in more and more companies like Uber, Elance, and Airbnb, employees aren't employees at all, but are freelancers and independent contractors who work when they can on what they want to work on, when the company needs them.[19] So, for example, Airbnb can run in essence a vast lodging company with only a fraction of the "regular" employees one like Hilton Worldwide would need (because the lodgings are owned and managed by the homeowners themselves). Other sites tapping

on-demand workers include Amazon's Mechanical Turk, Elance-oDesk, TaskRabbit, and Handybook (which lets users tap Handy's thousands of freelance cleaners and furniture assemblers when they need jobs done).[20] The head of Elance-oDesk, which places millions of short-term professionals via its site, says those on its site are viewed as "mobile, independent bundles of skills."[21]

The fact that employers increasingly rely on such Uber-like "extended workforces" has implications for HR. For example, companies that rely on freelancers, consultants, and other such nontraditional employees will need to create personnel policies on matters like compensation for these "nonemployees," and become more expert as talent brokers in matching specific workers with specific tasks that need to be done.

On-demand models like Elance's and Uber's have detractors. Some people who work for on-demand services say the sometimes menial jobs can make them feel somewhat disrespected. One critic says such work is unpredictable and insecure. An article in the *New York Times* said this: "The larger worry about on-demand jobs is not about benefits, but about a lack of agency—a future in which computers, rather than humans, determine what you do, when and for how much."[22] Some Uber drivers recently sued to become regular (rather than freelance independent contractor) employees.

HUMAN CAPITAL   One big consequence of such demographic and workforce trends is employers' growing emphasis on their workers' knowledge, education, training, skills, and expertise—in other words on their "human capital."

Service jobs like consultant and lawyer always emphasized education and knowledge. And today's proliferation of IT-related businesses like Google and Facebook of course demands high levels of human capital. The big change is that even "traditional" manufacturing jobs like assembler are increasingly high-tech. Similarly bank tellers, retail clerks, bill collectors, mortgage processors, and package deliverers today need a level of technological sophistication they wouldn't have needed a few years ago. So in our increasingly knowledge-based economy, "… the acquisition and development of superior human capital appears essential to firms' profitability and success."[23]

For managers, the challenge here is that they have to manage such workers differently. For example, empowering workers to make more decisions presumes you've selected, trained, and rewarded them to make more decisions themselves. Employers therefore need new human resource management practices to select, train, and engage these employees.[24] The accompanying HR as a Profit Center illustrates how one employer took advantage of its human capital.

◗ IMPROVING PERFORMANCE: *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.[25]

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. Value-added human resource practices like these improve employee performance and company profitability.[26] ■

Based on "Human Resources Wharton," www.knowledge.wharton.upe.edu; Anthea Zacharatos et al., "High-Performance Work Systems and Occupational Safety," *Journal of Applied Psychology*, 90, no. 1, 2005, pp. 77–93. See also Jennifer Schramm, "Effective HR Practices Drive Profit," *HR Magazine*, November 2012, p. 88.

If your professor has assigned this, go to the Assignments section of **mymanagementlab.com** to complete this discussion.

⭐ **Talk About It 1:** Discuss three more specific examples of what you believe this second bank's HR department could have done to improve the reps' performance.