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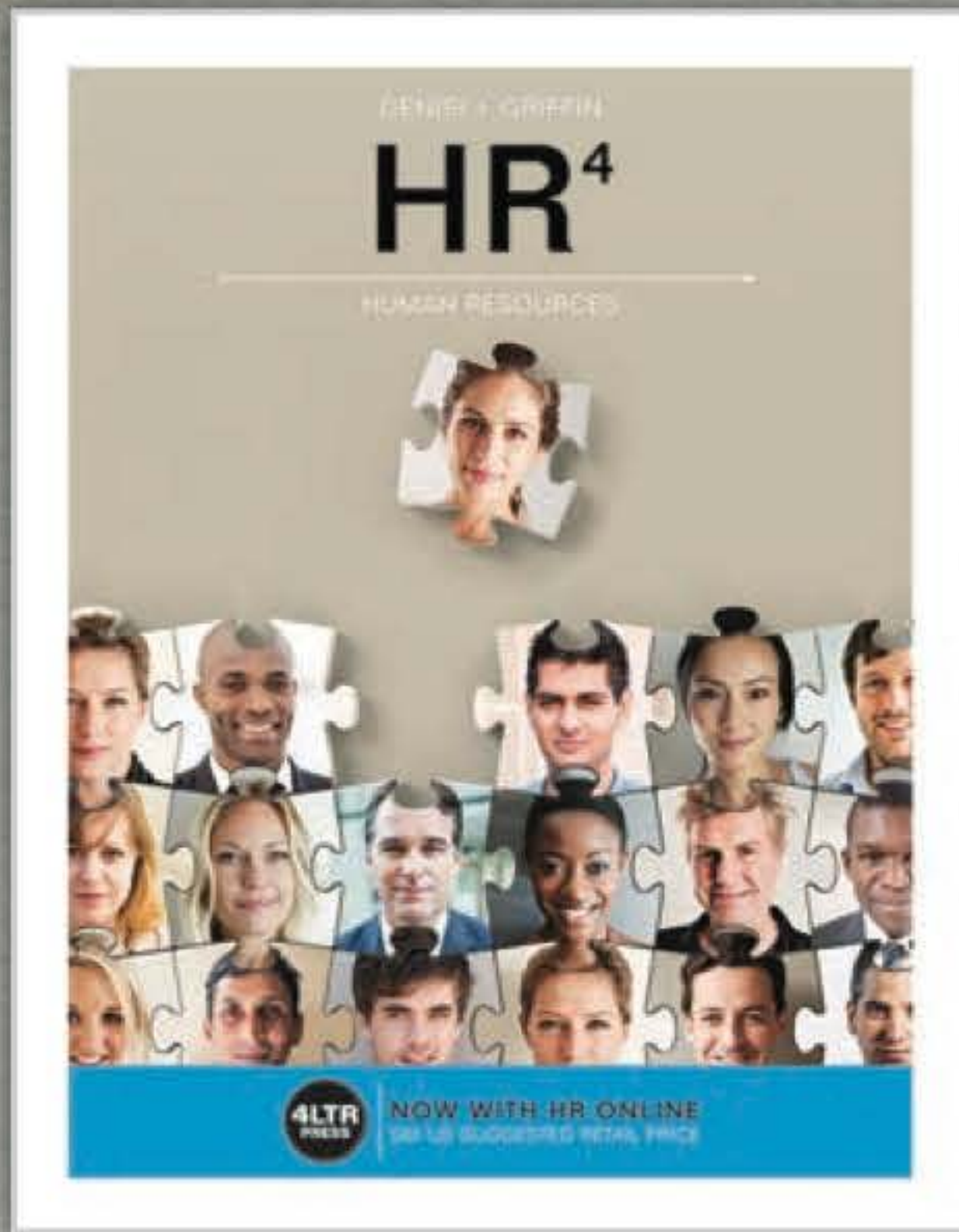
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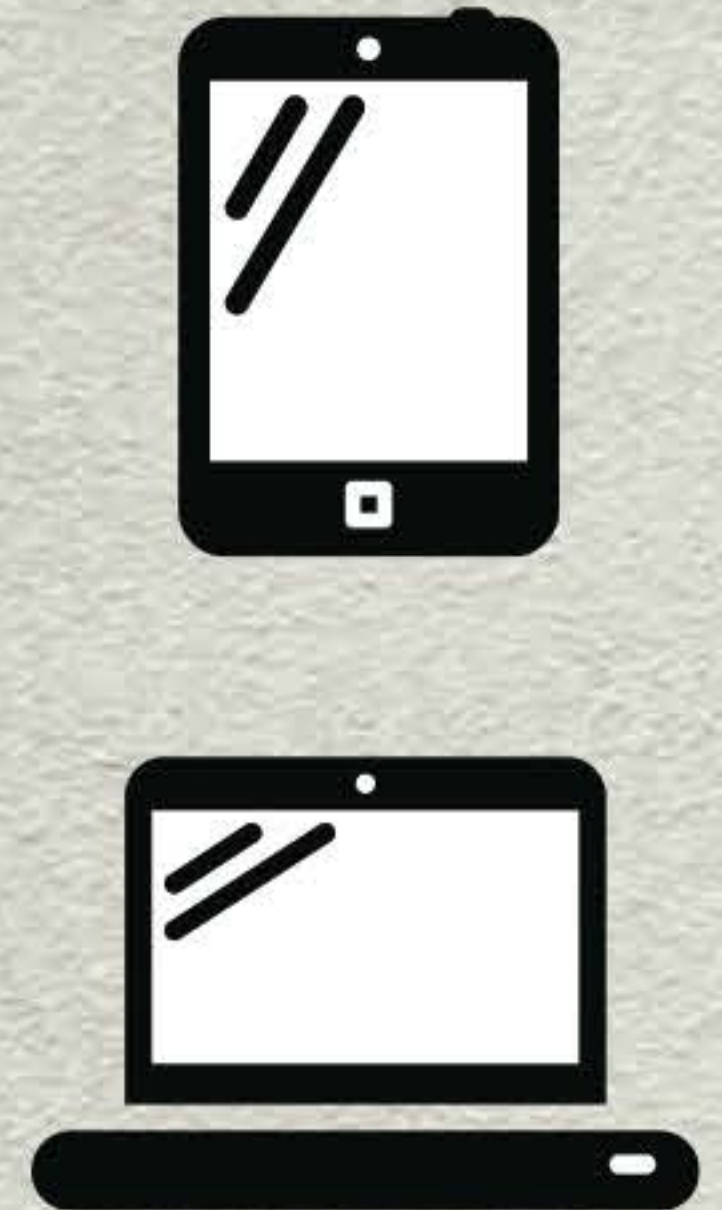
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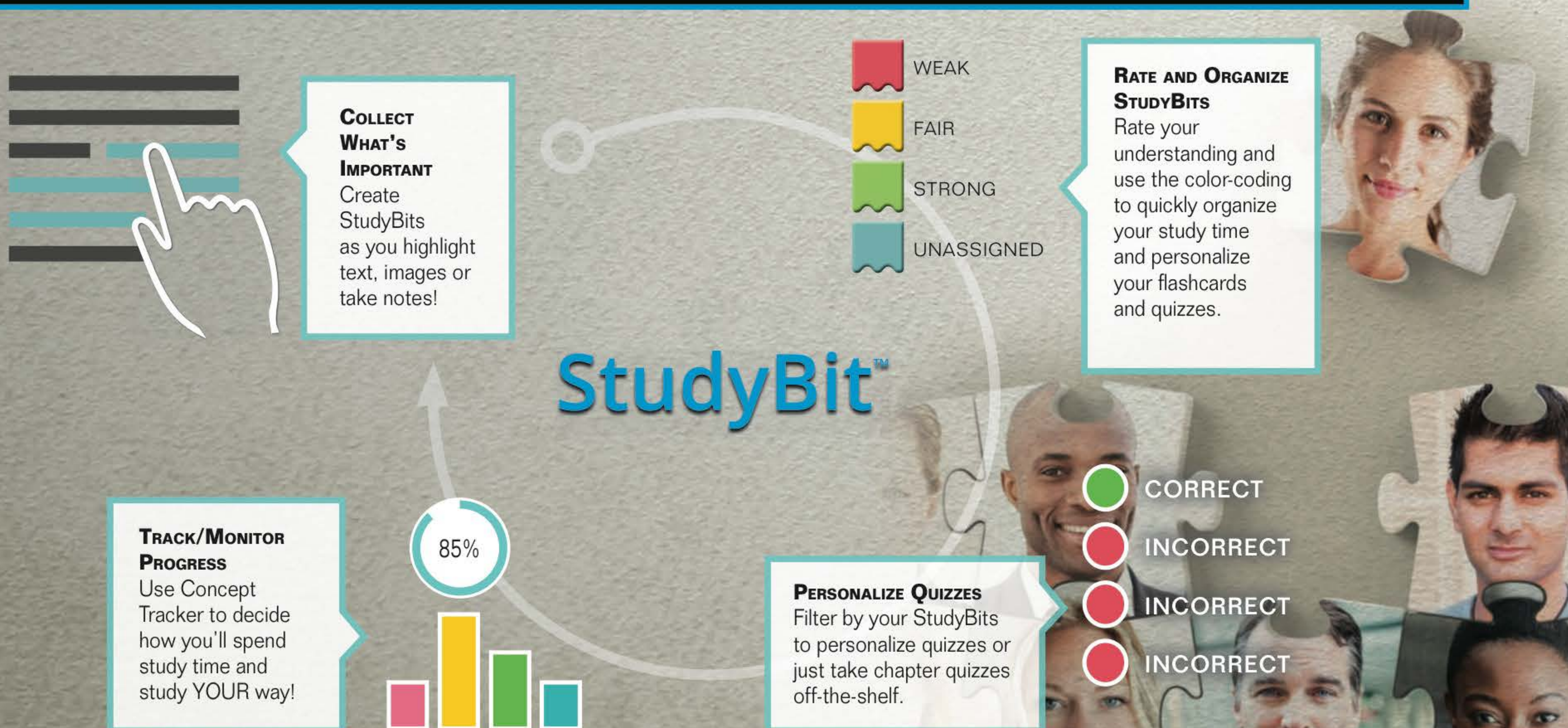
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1 | The Nature of Human Resource Management



After finishing this chapter go to **PAGE 22** for **STUDY TOOLS**

LEARNING OBJECTIVES

- 1-1 Describe the contemporary human resource perspectives
- 1-2 Trace the evolution of the human resource function in organizations
- 1-3 Identify and discuss the goals of human resource management
- 1-4 Discuss the setting for human resource management
- 1-5 Describe the job of human resource managers from the perspectives of professionalism and careers



OPENING CASE

Promoting Profits through People

At first glance, Google, Hilcorp, and Quicken Loans appear to have little in common. After all, one is a software development company, one is an oil and gas producer, and one is a financial services business. They are headquartered in different states, use different resources, sell different products, have different organizational structures, and do not directly compete with one another. But they do share a few things in common: They have all been cited as among the most admired companies in the United States by *Fortune* magazine, they routinely appear on lists of the best places to work, and they are consistently profitable.

So, what do they have in common? They invest heavily in attracting the best employees and then work diligently to train them and offer them rewarding career opportunities. They pay well, offer good benefits, and strive to make their employees feel valued. And while many different things determine a firm's profitability, the relationships Google, Hilcorp, and Quicken Loans have with their employees has a strong impact on their success.

Google, for example, offers stock options and health care benefits to all of its employees, even those who only work part-time. The firm also keeps all of its employees informed about its business strategy, its profitability and growth goals, and career opportunities. In December 2010, the CEO of Hilcorp pledged to give every employee \$100,000 if the firm doubled its equity value, net production, and reserves by the end of December 2015. The goal was met, and the firm made good on its promise. Quicken Loans offers a \$20,000 forgivable loan when employees want to buy their first home and then adds another \$5000 for decorating or improvements.

“In order to create better alignment across all employees, our bonus structure treats everyone equally. We have a culture that we are all in this together.”

—GREG LALICKER, PRESIDENT OF HILCORP

In addition to Google, Hilcorp, and Quicken Loans, of course, there are many other businesses today that see their employees as a major contributor to their competitive advantage. For instance, Wegmans Food Markets, The Container Store, Genentech, USAA, Edward Jones, Marriott International, and KPMG are also among the firms that routinely appear on lists of good places to work and also consistently post strong growth, profit, and other indicators of financial success. The bottom line is that while there are many routes to business success, treating employees well is often the best way to go.²

THINK IT OVER

1. Given the success enjoyed by Hilcorp, Google, and Quicken Loans, why don't all firms use similar approaches to managing their employees?
2. If you were starting a new business, what kind of relationship would you want to have with your employees? How would you go about trying to achieve this?

Regardless of their size, mission, market, or environment, all organizations strive to achieve their goals by combining various resources into goods and services that will be of value to their customers. Economists traditionally thought in terms of concrete physical resources such as ownership investment, sales revenues, and bank loans to provide capital and to cover expenses necessary to conduct business. Material resources such as factories, equipment, raw materials, computers, and offices also play an important role in the actual creation of goods and services and are easy to think about when we discuss a firm's resources. But managers are beginning to view less tangible resources as the most critical for gaining a competitive advantage.

For example, successful organizations need information not only about consumers but also about the firm's competitive environment to help managers make decisions, solve problems, and develop competitive strategies. Many people refer to such resources as *knowledge-based resources*.³ That is, organizations need to know how to get information and how to use that information. We discuss knowledge-based resources and knowledge workers later in this chapter and throughout the book, but for now it is sufficient to note that most (but not all) of this critical knowledge tends to reside in the people in the organization. Therefore, many experts in the field have come to recognize that no set of resources is more vital to an organization's success than its human resources.⁴

Human resources (HR) are the people an organization employs to carry out various jobs, tasks, and functions in exchange for wages, salaries, and other rewards. Human resources include everyone from the CEO, who is responsible for the overall effectiveness of the organization, to the custodian who cleans the offices after everyone else goes home. Each employee, in his or her own way, is a vital ingredient that helps determine the overall effectiveness—or lack of effectiveness—of the organization as it strives to accomplish its goals and objectives.

Human resource management (HRM) refers to the comprehensive set of managerial activities and tasks concerned with attracting, developing, and maintaining a qualified workforce—human resources—in ways that contribute to organizational effectiveness. As we will see, more and more organizations are coming to appreciate the dramatic impact that effective HRM can have on all aspects of the organization.⁵ But in addition to organizations paying more attention to HRM in general, there are also several more recent developments in the field that may elevate the HRM function even higher. Several of these involve notions of talent management⁶ and the idea of a differentiated workforce.⁷ We will discuss these new developments as part of our broad discussion of the field of HRM in this chapter. This discussion will serve as the basis for more detailed discussions of specific aspects of HRM in subsequent chapters. We begin with a look at contemporary HRM and the current field and then briefly trace the history of the field. The goals of the HRM function are then identified and discussed before we examine how the responsibilities for HRM are shared as staff and management functions. The HR department in different kinds of organizations is then discussed. Finally, we focus on the professionalism and career development of HR managers themselves.

1-1 CONTEMPORARY HUMAN RESOURCE MANAGEMENT PERSPECTIVES

Human resources (HR) are the people an organization employs to carry out various jobs, tasks, and functions in exchange for wages, salaries, and other rewards.

Human resource management (HRM) is the comprehensive set of managerial activities and tasks concerned with developing and maintaining a qualified workforce—human resources—in ways that contribute to organizational effectiveness.

In most organizations today, the role of HRM has become quite important. This results partly from a growing realization of the importance of people as a source of competitive advantage, but there are also more practical reasons. For instance, the passage of Title VII of the Civil Rights

Title VII of the Civil Rights Act of 1964 prohibits discrimination on the basis of an individual's race, color, religious beliefs, sex, or national origin.

Act of 1964 (and various court decisions that followed it) made it clear that organizations had to find ways to hire, reward, and manage people effectively within the limits of the law. As a result, the HRM function came to require dedicated professionals who could balance legal and ethical concerns with the need of organizations to survive and be profitable. If a firm did not employ qualified managers in these roles, then they faced increased risks of serious financial penalties and legal fees.

The view of HRM as part of the legal enforcement arm of an organization is largely applicable only in the United States. Yet managers around the world have come to understand that properly managed human resources can be an important source of competitive advantage in an increasingly competitive world. In fact, as noted earlier, human resources are the organization's most important resources. Hiring the right people, equipping them with the right skills, and then providing an environment in which they can truly contribute can substantially affect the quality and quantity of whatever goods or services the organization produces. Properly motivated and committed employees can add immeasurable value to an organization's bottom line. Given the shift in competitiveness, top executives in most firms now see that HRM practices and policies significantly affect their ability to formulate and implement strategy in any area and that other strategic decisions significantly affect the firm's human resources as well.

It was only natural, therefore, that HRM would eventually be elevated to the same level of importance and status as other major functional areas of the firm.⁸ The top HR executive at most companies today has the status of vice president or executive vice president and is a fully contributing member of the firm's executive committee, the body composed of key top managers that makes major policy decisions and sets corporate strategy. Today, most firms use a term such as *human resource management* to reflect more accurately the sophistication and maturity of the function. But some people argue that even this term is outdated and does not do justice to the role the HR manager plays. Instead, some



Contemporary Challenges in HR

Labor Shortage? Or Labor Surplus?

During good times and bad, one thing is true: some businesses and industries will be cutting jobs and laying off workers. But other businesses and industries will be adding new jobs and hiring new employees. During challenging economic times like we've faced in the past decade or so, the press routinely reports large job cuts and predicts high unemployment. For example, plunging oil prices in 2015 and 2016 led many energy companies such as Shell, Schlumberger, BP, and Halliburton to impose significant job cuts. Many highly qualified engineers and geologists found themselves looking for work.

“It's time to plan for a massive demographic shift. Discourage retirement, encourage retraining, and encourage immigration.”⁹

—USA TODAY

But at the same time, U.S. businesses in some sectors are facing a growing labor shortage. How can we explain this apparently contradictory trend? There are actually several reasons. First, we have entered the retirement bulge associated with the baby boomer generation. This means that there are more workers retiring than there are younger workers entering the workforce. Second, the U.S. workforce has a growing misalignment between what workers can and are willing to do and what employers need for them to do and between where jobs are located and where workers live.

Take construction, for example. During the economic downturn that started in 2008, literally hundreds of thousands of construction workers were laid off. Given the dearth of jobs and what they saw as limited prospects in the future, many of these workers decided to retire. Others moved to states where there was more demand for their services. Still others changed fields, taking jobs as truck drivers, factory workers, or rough-necks in what was then the booming oil and gas fields. But now that construction is coming back, many building contractors are having trouble finding carpenters, plumbers, electricians, and other skilled workers.

Even some professional jobs are facing the same challenges. Take airline pilots, for example. There are about 90,000 commercial pilot jobs in the United States. A growing number of retirements coupled with new work rules requiring that pilots have more time to rest between flights and projected growth in air traffic combine to predict a shortage in the very near future. Some experts, for instance, project that there will soon be 8,000 or so openings a year. The major airlines such as Delta and American will likely not be impacted much by this, but shortages will likely occur in the regional airlines, especially because those pilots will be among the most qualified for openings in the bigger airlines.

But, as noted previously, there are surplus of petroleum engineers and geologists right now due to the drop in oil and gas exploration and refining. It's quite likely, of course, that when energy prices begin to go up again, the demand for engineers and geologists will also grow. Further, it is also possible that forces may cause a drop in the demand for pilots. Who really knows what the future holds?¹⁰

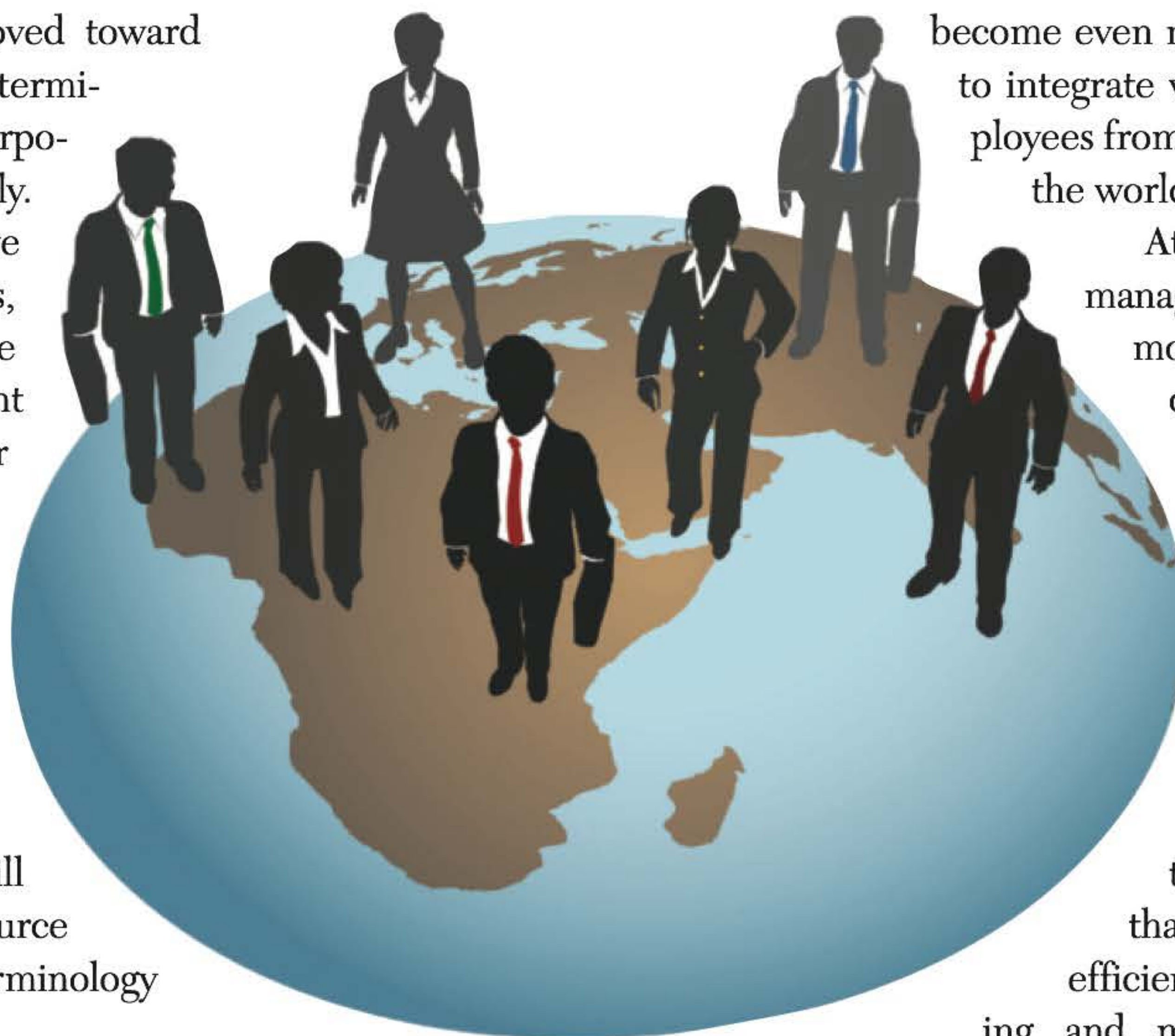
THINK IT OVER

1. As an employee, how might you best prepare yourself for impending labor shortages in some fields? For potential labor surpluses in other fields?
2. As an HR manager, what might you do to entice workers where there is a labor shortage? What might you do to soften the impact of layoffs caused by an economic downturn?



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organizations have moved toward using more specialized terminology that fits their corporate culture more closely. The top HR executive at Southwest Airlines, for example, has the title of Vice President for People, while other firms, recognizing the importance of HR as knowledge resources, have started using titles such as chief knowledge officer. To keep things simple, though, we will use the human resource management terminology throughout this book.



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Many aspects of the modern HRM function actually date back to the 1980s and 1990s. It became apparent to many firms then that they were not able to compete effectively in the global marketplace. Some of these firms went out of business, and employees lost their jobs. Some firms were acquired by other, more successful companies, and in the aftermath, many employees of the acquired firm were seen as redundant and let go. Still other firms sought mergers with former or potential competitors in the hope of forming a new joint enterprise that could compete successfully. But again, in most cases, merged companies often did not find the same need for as many employees, and many workers lost their jobs.

Instead of simply managing the layoffs following a merger or acquisition, HR executives were part of the team deciding which firms to merge with or to acquire outright. HR managers could help to identify the critical human resources that the firm would need in the future, and they could also help to identify other firms that might already have those resources and thus be prime targets for takeovers or mergers. As knowledge became more critical in gaining competitive advantage, HR managers helped define strategies to acquire or develop knowledge resources. They also developed strategies for ensuring that any knowledge acquired was fully dispersed throughout the organization. As firms compete more broadly on a global basis, these factors

Outsourcing is the process of hiring outside firms to handle basic HRM functions, presumably more efficiently than the organization could.

become even more critical as firms try to integrate work processes and employees from diverse cultures around the world.

At the same time that HR managers were taking on a more strategic role, many organizations began shrinking the more traditional roles played by HR managers. As these organizations looked for new ways to be competitive by reducing costs, they often looked for activities within the company that could be done more efficiently by outsiders. Cleaning and maintenance were easy

functions to replace, but, for example, many international airlines outsource their on-board catering to Lufthansa.

This trend has spread to other areas as well. Today, many large organizations hire outside firms to handle payroll, insurance and benefits, and even recruitment and selection in some cases.¹¹ This practice, commonly known as **outsourcing**, has resulted in smaller internal HR staffs and more reliance on outside consultants to provide the services once provided by those staffs. Thus, although the importance of HRM activities is growing, the importance of HR departments may be shrinking, and the kind of work performed by HR managers is certainly changing as the size of the HR function is shrinking.

Outsourcing can indeed be an important competitive weapon for organizations. If done properly, outsourcing results in more efficient operations. Outside firms that are hired benefit from the fact that they perform the same tasks for many companies. In addition, outsourcing tends to eliminate jobs that are more repetitious and perhaps dull. As a result, the employees who work on these jobs are more likely to be dissatisfied at work, which can have a tremendous cost for the firms. But not all functions can be outsourced for competitive advantage. Thus, it is critical that a firm retain any function that is either of strategic importance in its own right (i.e., strategic planning) or can lead to some advantage because the firm is especially expert at this function (e.g., selection or training). Therefore, the issue for most firms today is not whether to outsource but what to outsource and what to keep in-house.

Furthermore, many firms are beginning to realize that not all positions and not all employees contribute equally to firm performance. This is the notion behind the idea of a differentiated workforce. Some positions are more critical to the firm's effective performance, and these positions should receive the lion's share of the attention. The best people must be recruited and trained for these positions, and turnover in these positions is especially costly. Likewise, not all employees are equally valuable to the firm, and the idea behind talent management is that extra care must be taken to attract and then retain "stars,"¹² including using large financial incentives to retain them. These movements are making HRM even more complex.¹³

In addition, the legal imperatives that in large part elevated the importance of the HRM function are changing and becoming more complex. In what has been termed a post-affirmative action world, issues regarding differential test performance of members of different ethnic and racial groups, especially in high-stakes situations (where jobs or entrance into academic institutions are involved), are becoming more rather than less complex. How do we address differences in test scores in a society where credentialing and accountability are becoming more important, and when we still haven't figured out how to deal with the diversity our society presents us?¹⁴

In addition, as laws and attitudes change relative to gay rights, including same-sex marriages, problems of benefits and legal protection suggest that diversity management will become even more complicated in the future.

Of course, the world has changed in many other ways over the past decades. Beginning with the attacks of September 11, 2001, issues of security have become much more important in the United States. These concerns manifest themselves initially in the need to attract, select, train, and motivate airport security personnel who serve as the first line of defense against terrorism. These tasks fall squarely in the domain of HRM, increasing the stakes involved in getting these practices right. Then, in 2005, Hurricanes Katrina and Rita devastated the Gulf Coast of the United States, and the results illustrated new demands for security of employee records and open lines of communication with employees. The arrival in 2012 of Hurricane Sandy reinforced the vulnerability of business operations to natural disasters and further emphasized the need for better HR information systems.

But more recent terrorist attacks in San Bernardino, CA; Paris, France; and Istanbul, Turkey; among others, have added further levels of complications. Not only has the need for security—at all levels—been made

clear, but these attacks by radical Islamist groups have triggered new waves of fear and mistrust of all Muslims, which presents problems for HRM in terms of legal concerns and may also serve to limit immigration from certain parts of the world, which may further challenge HRM to find qualified people. Unfortunately, there are also threats that do not come from terrorists. An example occurred in February 2016, when an employee of a lawn care company in Kansas left after his shift was completed and then returned to shoot 14 people. The reasons for the shooting are not entirely clear, but the shooter had been served with a restraining order to keep away from his girlfriend, just before the shooting began. In any event, this incident was just one more example of the threat of workplace violence facing all employees at all locations.

There is also uncertainty of a different nature facing the United States and everyone doing business in this country. In February 2016, Supreme Court Justice Antonin Scalia died unexpectedly. Many of the more controversial decisions handed down in recent years have been 5-4 decisions, with Scalia a leading proponent of a strict interpretation of the Constitution. His decisions have put him in opposition to gay marriage and the Obama health care reforms. Typically, this set of circumstances would allow President Obama to appoint a more liberal justice. But, given what occurred in the last year of the President's term of office, many Republicans are calling for the President to not try to appoint anyone to the court, and to allow the upcoming election to determine what kind of justice should be appointed. President Obama will likely make a nomination, and the Republican-controlled Senate will likely try to stop the appointment. That will leave the Court with eight justices and will almost certainly result in 4-4 ties in the interim. Interestingly, a 4-4 tie in a Supreme Court decision means that any lower court decision stands—as if the Supreme Court never heard the case. It will be interesting to see how all this plays out in the long run, but in March 2016, we saw the first real effect of the new court structure. A case dealing with public unions (discussed further in Chapter 11) was reviewed by the Supreme Court, but the court was divided, so the lower court decision held. But the lower court had ruled in favor of the California teachers' union, and conservatives had hoped to win a big victory in the Supreme Court where a 5-4 decision—against the union—was fairly certain. It is important for the HR manager to remember that the Supreme Court is also preparing to hear cases regarding immigration and affirmative action, among others, and a deadlocked Court could paralyze a number of HR initiatives.

Before moving on to a more detailed discussion of the tasks and functions of modern HRM, it is useful to consider how we arrived where we are today. The struggle of HRM for legitimacy within the organization and how that legitimacy came about is due in large part to the history of how HRM developed.

1-2

EVOLUTION OF THE HUMAN RESOURCE FUNCTION

Even though businesses have existed for thousands of years, the practice of management itself has only been of special interest and concern for about 100 years.¹⁵ Many early businesses were small enterprises and farms run by families interested only in supporting themselves and providing security for family members. The Industrial Revolution of the eighteenth century, however, sparked a greater interest in business growth and expansion, and large-scale business operations began to emerge throughout Europe and the United States. As these businesses grew and became increasingly complex, owners began to step aside and turn the operation of their firms over to full-time professional managers. Owners who remained in control of their businesses still needed to rely on managers to oversee a portion of their operations. This transition, in turn, resulted in greater awareness of the various functions of management that were necessary for long-term organizational success.¹⁶

A few early management pioneers and writers such as Robert Owen, Mary Parker Follette, and Hugo Münsterberg recognized the importance of people in organizations, but the first serious study of management practice—set during the early years of the twentieth century—was based on scientific management.¹⁷ **Scientific management** was concerned with structuring individual jobs to maximize efficiency and productivity. The major proponents of scientific management, such as Frederick Taylor and Frank and Lillian Gilbreth, had backgrounds in engineering and often used time-and-motion studies in which managers used stopwatches to teach workers precisely how to perform each task that made up their jobs. In fact, scientific management was concerned with every motion a worker made, and there were many examples of how

changes in movements or in the placement of some piece of equipment led to increased productivity.

However, often laborers would use the production

standards established by management as a way to work even more slowly. Other critics argued that individual workers were generally valued only in terms of their capacity to perform assigned tasks as efficiently and as productively as possible. Still, scientific management helped augment the concepts of assembly-line production, division of labor, and economies of scale that gave birth to the large businesses that transformed domestic and international economies throughout the twentieth century.¹⁸

1-2a Origins of the Human Resource Function

As businesses such as General Motors (started in 1908), Bethlehem Steel (1899), Ford Motor Company (1903), Boeing (1916), and other industrial giants launched during this era expanded rapidly and grew into big companies, they obviously needed to hire more and more workers. B.F. Goodrich was the first company to establish a corporate employment department to deal with employee concerns in 1900. National Cash Register (NCR) set up a similar department in 1902 to deal with employee grievances, wages and salaries, and record keeping. The need for an employment department at Ford became clear as the company increased its production from 800 cars a day in 1910 to more than 9,000 cars a day by 1925, and increased its workforce from less than 200 to several thousand employees.¹⁹ This same pattern of growth and hiring was being repeated in literally hundreds of other businesses across dozens of industries. These workers were needed to perform operating jobs created to produce ever-greater quantities of the products sold by the businesses. In the early days of this business explosion, the foreman, or first-line supervisor, usually hired new workers. Office workers were also needed, so people with titles such as *office manager* hired clerks and secretaries.

As these businesses became more complex and their hiring needs more complicated, however, the task of hiring new employees was too time-consuming for a first-line supervisor or an office manager to perform. In addition, extra administrative duties were being added. For example, in 1913, Ford was paying its unskilled employees \$2.34 per 9-hour day. Because the pay was so low and the work was

“We cannot solve our problems with the same level of thinking that created them.”

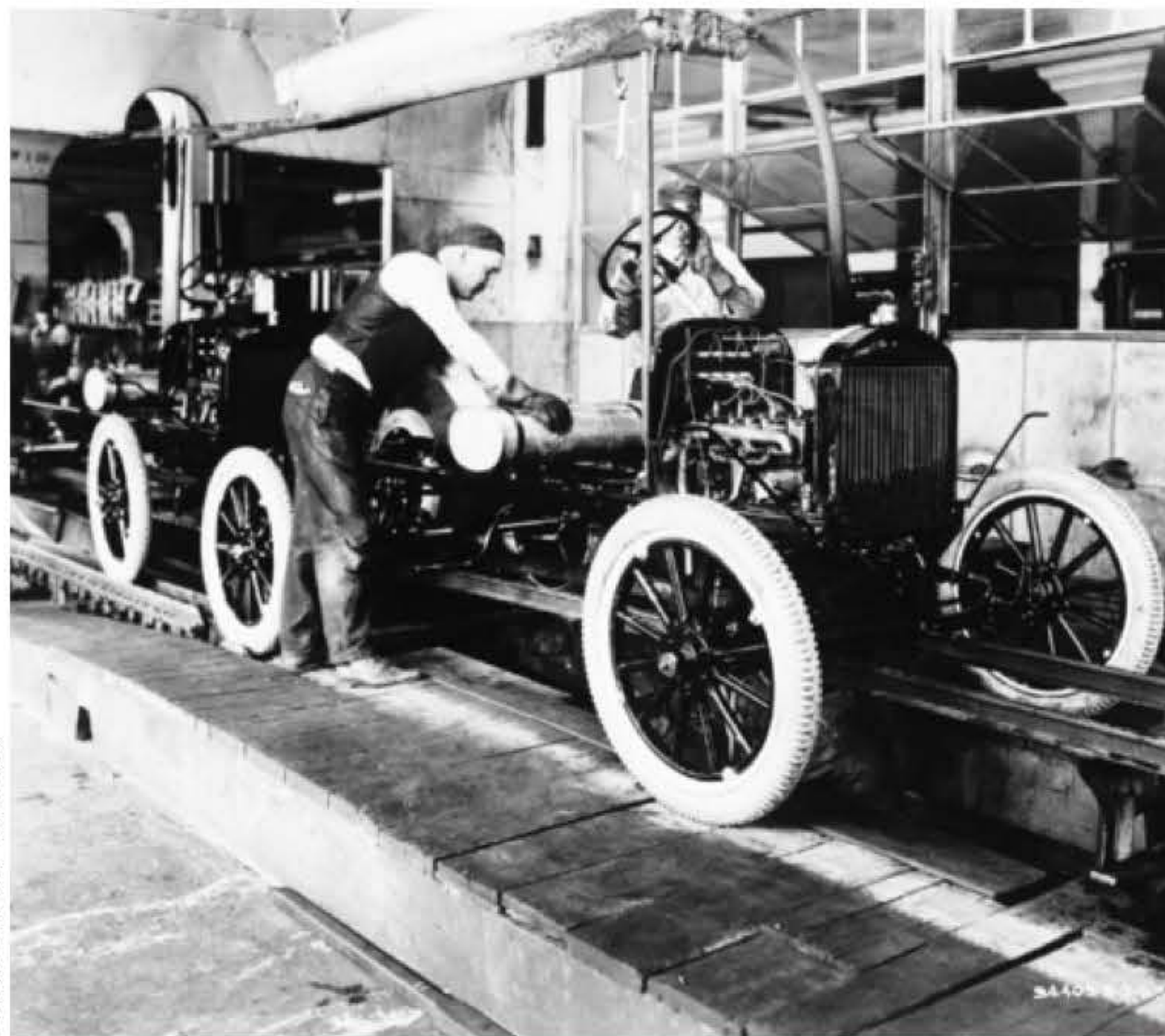
—ALBERT EINSTEIN

Scientific management, one of the earliest approaches to management, was concerned with structuring individual jobs to maximize efficiency and productivity.

both monotonous and tiring, the firm was also experiencing a turnover rate of almost 400 percent per year. Thus, the firm had to replace its average worker four times each year. It was hiring workers to fill new jobs while also hiring workers to replace those who quit. In 1914, Henry Ford made a dramatic effort to attract and retain higher-quality workers by boosting the firm's pay to a minimum of \$5 for an 8-hour day.²⁰ This action attracted a groundswell of new job applicants and almost overwhelmed first-line supervisors, who were then hiring new employees while overseeing the work of existing workers.

As a result of growth and complexity, most large businesses, including Ford, began hiring new employees through newly created specialized units. Ford, for example, called this unit the *employment department*. Although these units were initially created to hire those new employees, they also began to help manage the existing workforce. For example, the emergence and growth of large labor unions such as the United Auto Workers and the passage of the Fair Labor Standards Act in 1938 (established a minimum wage) and the National Labor Relations Act in 1935 (dealt with unionization procedures) made it necessary for businesses to have one or more managers represent the interests of the business to organized labor and to administer the emerging set of laws and regulations that governed labor practices.

Meanwhile, other developments, many taking place in other parts of the world, provided organizations with some of the tools they would need to manage



Ford revolutionized hiring at plants such as this one by boosting pay to a minimum of \$5 a day and shortening the workday to 8 hours.

these employment processes more effectively. For example, in England, Charles Darwin's work was used by some theorists to popularize the idea that individuals differed from each other in important ways. In France, the work of Alfred Binet and Theophile Simon led to the development of the first intelligence tests, and, during the course of World War I, several major armies tried using these tests to assign soldiers to jobs. These efforts continued in the private sector after the end of World War I, and by 1923, books such as *Personnel Management* by Scott and Clothier were spelling out how to match a person's skills and aptitudes with the requirements of the job.

Another important ingredient in the origins of the HR function during this period was the so-called **human relations era**, which emerged following the **Hawthorne studies**. Between 1927 and 1932, the Western Electric Company sponsored a major research program at its Hawthorne plant near Chicago. This research, conducted by Roethlisberger and Mayo, revealed for perhaps the first time that individual and group behavior played an important role in organizations and that human behavior at work was something managers really needed to understand more fully. One Hawthorne study suggested, for example, that individual attitudes may have been related to performance, and another suggested that a work group may have established norms to restrict the output of its individual group members.²¹ Before this work, many managers paid almost no attention to their employees as people but instead viewed them in the same way they viewed a machine or a piece of equipment—as an economic entity to be managed dispassionately and with concern only for resource output.

Stimulated by the Hawthorne findings, managers began to focus more attention on better understanding the human character of their employees. During this era, for example, Abraham Maslow popularized his **hierarchy of human needs** (see Chapter 13 for a more detailed discussion of this model).²² In addition, Douglas McGregor's well-known **Theory X** and **Theory Y** framework also grew from the HR movement.²³ The basic premise of the HR era was that if

The **human relations era** supplanted scientific management as the dominant approach to management during the 1930s.

The human relations era was instigated by the **Hawthorne studies**.

Abraham Maslow's **hierarchy of human needs** was developed during the human relations era.

Douglas McGregor's **Theory X** and **Theory Y** framework grew from the human relations movement.

managers made their employees more satisfied and happier, then they would work harder and be more productive. Today, researchers and managers alike recognize that this viewpoint was overly simplistic and that both satisfaction and productivity are complex phenomena affecting and affected by many factors. Nonetheless, the increased awareness of the importance of human behavior stimulated during this period helped organizations become even more focused on better managing their human resources. These organizations saw effective management of human resources as a means of potentially increasing productivity and, incidentally, as a way of slowing the growth of unionism, which was beginning to gain popularity.

1-2b Personnel Management

We noted earlier that growing organizations began to create specialized units to cope with their increasing hiring needs, deal with government regulations, and provide a mechanism for better dealing with behavioral issues. During the 1930s and 1940s, these units gradually began to be called **personnel departments** (the word *personnel* was derived from an Old French word that meant “persons”). They were usually set up as special, self-contained departments charged with the responsibility of hiring new workers and administering basic HR activities such as pay and benefits. The recognition that human resources needed to be managed and the creation of personnel departments also gave rise to a new type of management function—**personnel management**.²⁴

During this period, personnel management was concerned almost exclusively with hiring first-line employees such as production workers, salesclerks, custodians, secretaries, blue-collar workers, unskilled labor, and other operating employees. Issues associated with

hiring, developing, and promoting managers and executives did not surface until later. The manager who ran the personnel department was soon called the **personnel manager**.

Personnel management evolved further during World War II. Both the military and its major suppliers became interested in better matching people with jobs. They wanted to

optimize the fit between the demands and requirements of the jobs that needed to be performed and the skills and interests of people available to perform them. Psychologists were consulted to help develop selection tests, for example, to assess individual skills, interests, and abilities more accurately. During the 1950s, the lessons learned during the war were adapted for use in private industry. New and more sophisticated techniques were developed, especially in the area of testing, and companies also began to experiment with more sophisticated reward and incentive systems. Labor unions became more powerful and demanded a broader array of benefits for their members. In addition, government legislation expanded and continued to add complexity to the job of the personnel manager.

Still, from the first days of its inception until the 1970s, personnel management was not seen as a particularly important or critical function in most business organizations. Although other managers accepted personnel management as a necessary vehicle for hiring new operating employees, personnel management was also seen primarily as a routine clerical and bookkeeping function. For example, personnel was responsible for placing newspaper ads to recruit new employees, filling out paperwork for those employees after they were hired, and seeing that everyone was paid on time.

While other organizational units, such as marketing, finance, and operations, grew in status and importance, the personnel department of most organizations was generally relegated to the status of necessary evil that had to be tolerated but that presumably contributed little to the success of the organization. Its offices were often drab and poorly equipped and were often located away from the central activity areas of the organization. Personnel managers themselves were often stereotyped as individuals who could not succeed in other functional areas and were assigned to personnel either because the organization had nothing else for them to do or as a signal that the individual was not deemed to be a candidate for promotion to a higher-ranking position.

As noted earlier, the first real impetus for the increased importance of the HRM role came with the passage of the Civil Rights Act in 1964. This law made it illegal for employers to consider factors such as gender, religion, race, skin color, or national origin when making employment-related decisions. The 1964 Act, combined with several subsequent amendments, executive orders, and legal decisions, made the processes of hiring and promoting employees within the organization far more complex. Thus, it quickly became critically important to organizations that those responsible

Personnel departments, specialized organizational units for hiring and administering human resources, became popular during the 1930s and 1940s.

Personnel management, a new type of management function, grew from the recognition that human resources needed to be managed.

The manager who ran the personnel department was called the **personnel manager**.

for hiring and promoting employees fully understood the legal context within which they functioned. For example, ethical and moral issues aside, improper or inappropriate hiring practices left the organization open to lawsuits and other legal sanctions, accompanied by large fines, judgments, and new expenses. (We discuss the 1964 Civil Rights Act and related regulation more fully in the next chapter.)

But, as we noted earlier, the HR manager's role as a compliance officer has grown into the role of strategic partner, and this is the role we stress in this book. As firms continue to recognize the importance of human resources, they must do more than just obey the laws. Firms are increasingly competing to attract and retain the best talent they can and then to develop strategies or tactics that leverage those talented people into a competitive advantage. At the same time, however, HR management is changing in response to new technological innovations, so we must consider how the electronic age has affected the HRM function.

1-2c Human Resource Management in the Electronic Age

One of the most dramatic changes in our lives over the past 10 years or so has been the increasing presence of technology. Bigger, faster computers have allowed firms to compile large amounts of data and keep better track of employees, and new approaches to data analysis allow organizations to monitor patterns of behavior and preferences of those employees. Surveillance technology enables organizations to literally watch what employees do on the job (and in some cases, off the job as well).



Electronic systems for communication and monitoring present new challenges to the legal system and have led to new discussions about ethics and privacy.

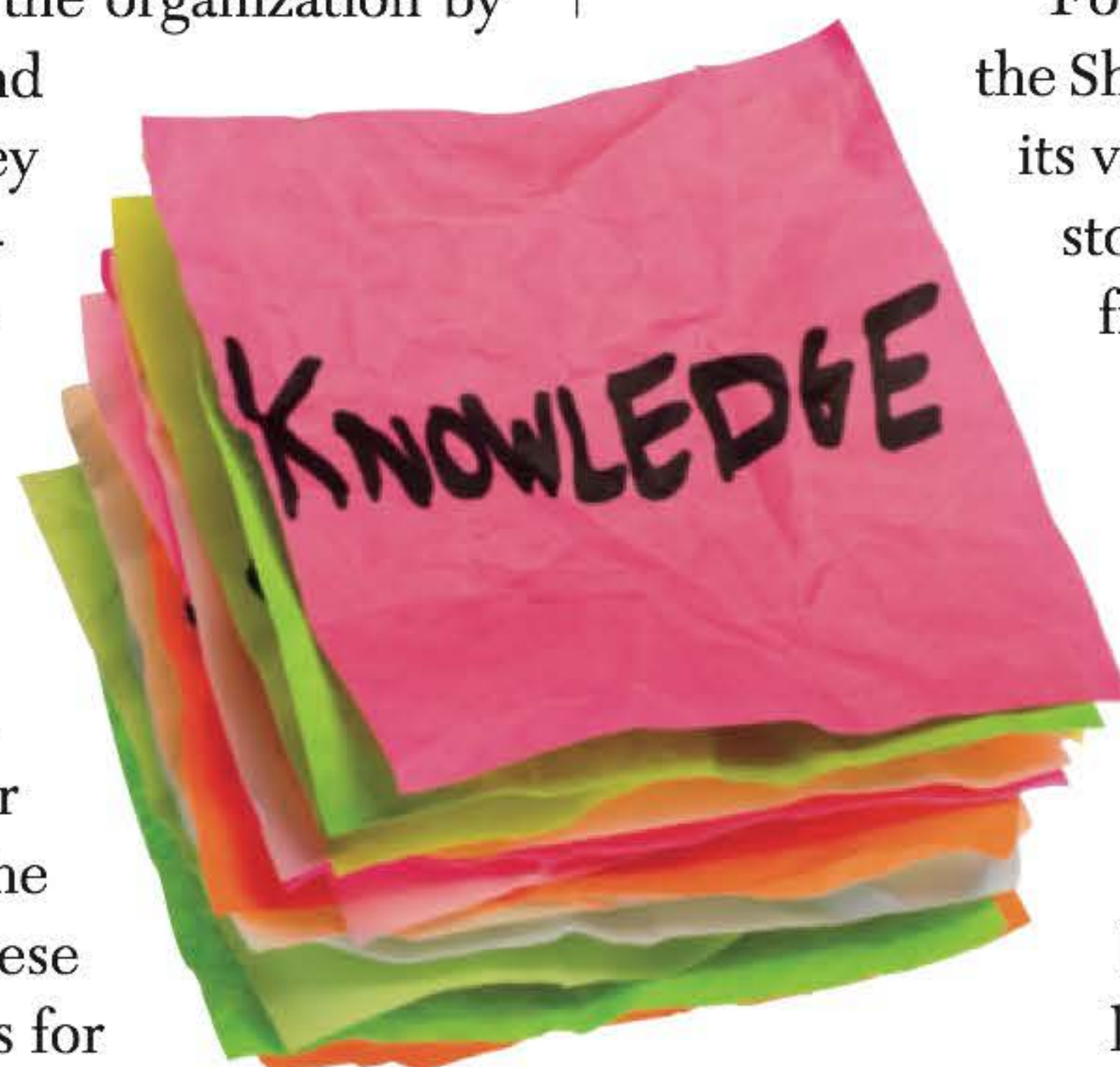
The Internet is no longer a luxury, but a necessity, and we now read books, make restaurant reservations, and do research online, in addition to “talking” to our friends.

The widespread use of technology, however, has not affected the basic approach to how we manage human resources, as much as it has affected how we execute various HR functions. For example, in Chapter 5, when discussing methods for conducting job analysis, we note that the O*NET OnLine system, introduced several years ago, now makes it possible for an organization to obtain the job analysis information they need from an online database. In Chapter 7, when discussing recruiting techniques, we note that organizations have changed the way they advertise jobs to recognize that, today, most potential applicants search for jobs by accessing one of the many job-search websites (e.g., Monster.com). Chapter 7 also discusses the use of online testing for selection and interviews being conducted by SKYPE and other new technology, rather than face to face. In addition, as also noted in Chapter 7, training programs can now be purchased from vendors and provided to employees online, allowing them to take classes and training at their own pace. Information about benefits and the ability to change benefits are also available to employees online, allowing more flexibility in how benefit plans are administered, as discussed in Chapter 9. Finally, in Chapter 10, we note that computer monitoring allows organizations to collect real-time performance data from employees on various jobs, especially those involving telecommunications such as customer service representatives or staff in a call center.

Have these new applications of technology made HRM easier? Clearly, management can now easily deliver information and communicate with employees, but the openness of communication also means that employees can communicate with management, and this presents new challenges to managers. Electronic systems for communication and monitoring also bring up new challenges for the legal system (discussed in Chapter 2) and have led to new discussions about ethics and privacy. Thus, the new technology has made HRM easier in some ways but more complicated in others. Have these new applications of technology made HRM more effective? This question is important, but little data has addressed it. Nonetheless, we will discuss the opportunities and challenges presented by new technology and the Internet throughout the book.

One other way in which technology has affected the HRM function needs to be mentioned. As organizations introduced new technologies for manufacturing, communication, and HRM, they also increased their need

for more specialized employees. **Knowledge workers** are employees whose jobs are to acquire and apply knowledge, and they contribute to the organization by the nature of what they know and how well they can apply what they know. Although knowledge workers include more than workers who deal with computer technology (scientists and lawyers, for example, are usually considered knowledge workers), the explosion of technology at work has led to a huge increase in the need for workers who can learn and apply the management of this technology. These employees present special problems for recruitment, retention, and compensation, as well as for motivation; we will discuss these challenges throughout the book.



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1-2d Emerging Human Resource Challenges

Like all managers, HR executives face new challenges on a daily basis. The financial crisis that swept the world in 2008–2009 created havoc in most businesses. Many firms—including several large organizations—went out of business or came close to it. As a result, many people lost their jobs, and it typically fell to the HRM department to determine how and when layoffs would take place, as well as to notify those employees who would be losing their jobs. As the stock market also fell during this time, most pension funds lost value, and some older workers decided that they could no longer afford to retire. These effects too had a profound impact on the HRM departments involved. In addition, uncertainty about the future led to even more stress in the lives of many employees. As we will discuss in Chapter 12, stress can have a significant effect on how people behave at work, and problems arising from this increased stress often become the HRM department's responsibility.

Of course, the economies of the United States and most of the rest of the world have slowly recovered from the recent financial crisis. For example, unemployment in the United States is now down to 5 percent versus 10 percent in 2009. But there are still many people who are unemployed or underemployed, and there are new, perhaps less dramatic, financial crises arising all the

time, causing a great deal of economic instability and having a major impact on HRM.

For example, from June to August 2015, the Shanghai stock market lost 40 percent of its value.²⁵ This plunge caused havoc with stock markets worldwide and shook confidence in the Chinese market. In January 2015, China announced that its economy had slowed causing markets to react again as the Chinese government indicated less demand for commodity goods, which most of the world exports to China. But in February 2015, the Dow Jones had jumped 300 points on news about lower interest rates in Japan. Meanwhile, the worldwide price of oil has been

falling steadily²⁶ and was below \$30 a barrel in January 2015, versus over \$100 a barrel just a few years earlier. In addition, in 2016, Walmart announced that it was closing 269 stores worldwide,²⁷ including 154 in the United States and affecting more than 10,000 American workers. Although none of these crises has had the impact of the financial meltdown a few years ago, these mini-crises affect the demand for labor, the supply of labor, and the kinds of businesses that are most likely to thrive—all of which influence the management of human resources at work. As a result of some of these events, the Society for Human Resource Management (SHRM) predicts that hiring will grow but at a slower pace through 2016.

As mentioned earlier, there have been a number of U.S. Supreme Court decisions that have had a profound impact on HRM departments (these are discussed in more detail in the next chapter). For example, in June 2013, in the case of *Fisher v. University of Texas*, the Court decided (by a 7-1 margin) that a lower court had not adequately scrutinized the need for a race preference affirmative action program at the University of Texas and made it clear that any such program will have to be narrowly justified in terms of furthering the educational benefits of diversity.

Like all managers, HR executives continue to face an array of new challenges on a regular basis ... and in most cases, it is the job of the HRM department to determine how and when layoffs take place.

The case was referred back to a lower court, but in December 2015, the case came back to the Supreme Court, and supporters of affirmative action fear that the Court may issue a broad ruling that may restrict any university (or any other institution) from considering race in any fashion when making selection decisions.

In addition, later in June 2013, the Supreme Court handed down two decisions dealing with gay marriage. One decision dealt a blow to Proposition 8, the California law that banned same-sex marriage. A lower court had overturned “Prop 8,” and the case before the Supreme Court was about the legality of that lower court decision. The Court ruled, on technical grounds, that the lower court decision would stand, effectively allowing same-sex marriages in California, which became the thirteenth state to recognize such marriages.

In a more far-reaching decision, the Supreme Court also ruled that the federal Defense of Marriage Act (DOMA) was unconstitutional. The effect here was to say that same-sex couples, married in states that recognize such marriages, were entitled to all federal benefits that went to other married couples. From the perspective of HRM departments, this has potentially huge implications for insurance and pension benefits to same-sex spouses. In addition, many observers suspect that the Obama administration may clarify some of these benefits through a series of executive orders, and other states may be encouraged to recognize same-sex marriages.

Controversy and uncertainty also continue with reference to the Affordable Care Act (commonly referred to as “Obamacare”). Even with President Obama’s reelection by a clear majority in 2012, the opposition to this law has not relented. There will be another presidential election in 2016, and several potential Republican candidates have called for a repeal of the law. Thus, the uncertainty of how to deal with the regulations of the Affordable Care Act will continue to haunt HRM departments. In addition, because there will be a presidential election in 2016, there has been a fair amount of rhetoric touching on issues that may be of concern to HRM departments. These range from stated concerns about immigration (which has the potential of reducing the size of applicant pools for some jobs) to proposals to seriously limit some financial activities of bank and brokerage firms (which has the potential to reduce employment opportunities in these industries).

Some evidence suggests that employees in green workspaces tend to be more satisfied and are healthier and more productive.

Other, noneconomic developments around the world also have the potential to impact HRM departments. International terrorism is becoming a huge problem everywhere as Al Qaeda has been replaced by ISIS as the major perpetrator of terrorist acts, which has caused greater concern about security issues, as well as raising some concerns about potential discrimination.

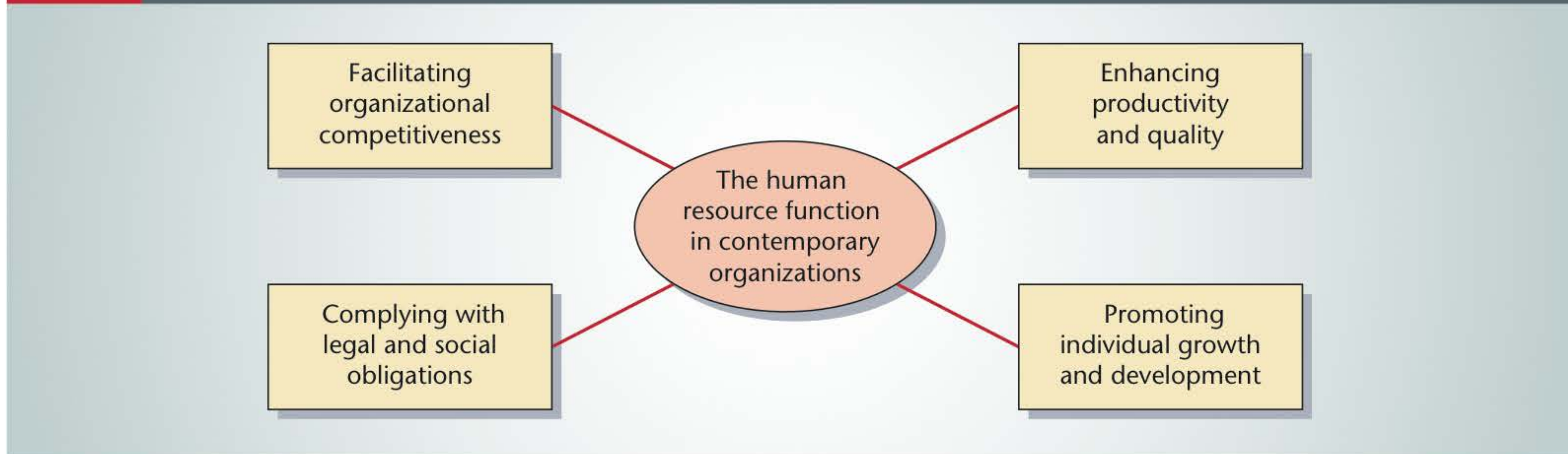
Other world events have the potential to influence HRM departments, although some of them are still unfolding. For example, in June 2012, Mohamed Morsi became the fifth president of Egypt after an election that was far more democratic than any earlier Egyptian election. This followed months of protest that resulted in the resignation of Hosni Mubarak, and the relatively free election held promise for stability in Egypt and, perhaps, much of the Middle East. But, a year later, Morsi was overthrown in an Army coup, and the future of democracy in Egypt, and Egypt itself, is now unclear. Unfortunately, these events have destabilized the Middle East, affecting companies doing business there, and increased the likelihood of future terrorist activities.

Finally, around the world, many thought leaders are advocating the need for businesses to address social issues. This has taken, and continues to take, many forms. Some organizations elect to “go green.” This might involve anything from

paperless communications to designing buildings with smaller carbon footprints that will blend in with the environment. Other organizations have adopted “corporate social responsibility” as a goal, and some buy only from sustainable sources and make sure that they “do no harm” while conducting business. Still other organizations go beyond this and establish social goals in addition to profit-making goals. Sometimes this is called “conscious capitalism”²⁸ and refers to treating social outcomes and financial outcomes as complementary, rather than competing. Others refer to this as the “triple bottom line,”²⁹ where a firm tries to maximize the bottom line, the way people are treated, and the level of environmental responsibility (profits, people, and the planet). In any case, these new levels of concerns over social goals require different types of employees and different ways of treating those employees. As a result, these movements have major implications for HRM departments.

All of these changes mean that the job of the HR manager will continue to evolve. The role of these managers will continue to expand, and they will have to gain expertise in wider and wider sets of skills than ever before.

FIG 1.1 GOALS OF HUMAN RESOURCE MANAGEMENT



We will discuss the effects of some of these changes throughout the book, but in a few years, we will certainly have to revise our view of the HR manager as the job continues to evolve to deal with other changes in the world.

1-3 GOALS OF HUMAN RESOURCE MANAGEMENT

This modern view of HRM has also meant that these departments have taken on increasingly important goals. Understanding the goals of HRM not only helps us put it in proper perspective but also provides a framework for evaluating any activities carried out by this area.³⁰ Figure 1.1 illustrates the four basic goals of the HRM function in most organizations today.

1-3a Facilitating Organizational Competitiveness

All organizations have a general set of goals and objectives that they try to accomplish. Regardless of the time horizon or the level of specificity involved in these goals, they are generally intended to promote the organization's ability to be competitive in fulfilling its purpose or mission. For example, business organizations such as General Electric, Walmart, Tata Industries, and Singapore Airlines exist primarily to make profits for their owners. Thus, their goals and objectives usually deal with sales or revenue growth, market share, profitability, return on investment, and so forth. Other organizations exist for different purposes and thus have goals other than increased profitability. Educational organizations such as The Ohio State University, Houston Community College, and the St. Louis Independent School District have their unique purposes. The same can be said for health care organizations such as the Mayo Clinic, governmental organizations such as the U.S.

Federal Bureau of Investigation (FBI) and the state of Missouri's revenue department, and charitable organizations such as the United Way.

People often associate competitiveness only with businesses, but each of these other types of organizations also must be managed effectively and compete for the right to continue to work toward fulfillment of its purpose. For example, a state university that misuses its resources and does not provide an adequate education for its students will not be held in high regard. As a result, the university will have difficulty competing for high-quality faculty and students, which are needed to enhance the university's reputation and thus make it more competitive. Similarly, a hospital that does not provide technical support for its doctors or adequate health care for its patients will find it more difficult to compete for the doctors and patients who might use and pay for its services.

Given the central role that HR play in organizational effectiveness, it is clear that organizations must hire and manage those individuals best able to help the firm remain competitive. Recently, some scholars and practitioners have therefore begun referring to *human capital* (rather than human resources). Human capital has been traditionally defined to include the knowledge, information, ideas, and skills of the individual,³¹ but it has also been used to refer to the store of knowledge, and so on, available to an organization. This idea has been further expanded, however, to be called *human capital resources*,³² which are defined as the human resource capacities accessible to a unit that help it gain some competitive advantage. HR analytics, also referred to as

"Quality is everyone's responsibility"

—W. EDWARDS DEMING

talent analytics, which will be discussed in several later chapters beginning with Chapter 5, makes it possible to take data from a wide variety of sources to help identify those unique resources and suggest ways to manage them better. From this perspective, a major goal of HRM functions in organizations is to translate potential capacities into actual capacities. This relates to attracting, developing, and managing human resources, and we will discuss these issues in more detail in Chapter 14. This also clearly relates to the strategic perspective, discussed further in Chapter 4. However, this perspective also suggests that the HR function move away from “silos” (e.g., compensation or training) to better appreciate how all the functions interact and need to be coordinated.

Facilitating organizational competitiveness must be the most important goal for modern HRM. This is the goal that sets the modern function apart even from the HRM function of 20 years ago. It is also the way in which the HRM function provides the most value to the organization. Of course, the second goal we will discuss also contributes to this goal of competitiveness.

1-3b Enhancing Productivity and Quality

A related but somewhat narrower concern for most organizations in the world today involves the issues, hurdles, and opportunities posed by productivity and quality. **Productivity** is an economic measure of efficiency that summarizes and reflects the value of the outputs created by an individual, organization, industry, or economic system relative to the value of the inputs used to create them.³³ **Quality** is the total set of features and characteristics of a product or service that bears on its ability to satisfy stated or implied needs.³⁴ In earlier times, many managers saw productivity and quality as being inversely related; the best way to be more productive was to lower quality and therefore costs. Most managers today realize that productivity and quality usually go hand in hand; that is, improving quality almost always increases productivity.

Organizations around the world have come to recognize the importance of productivity and quality for their ability not only to compete but also to survive. Actually improving productivity and quality, however, takes a major and comprehensive approach that relies heavily on HRM. Among other things, an organization that is serious about productivity and quality may need to alter its selection system to hire different kinds of workers. It will definitely need to invest more in training and development to give workers the necessary skills and abilities to create high-quality products and services, and it will need to use new and different types of rewards to

“Good management is the art of making problems so interesting and their solutions so constructive that everyone wants to get to work and deal with them.”

—PAUL HAWKEN

help maintain motivation and effort among its employees. Thus, in most organizations, HRM also has the goal of helping to enhance productivity and quality through different activities and tasks.

1-3c Complying with Legal and Social Obligations

A third fundamental goal of the HRM function today is to ensure that the organization is complying with and meeting its legal and social obligations. As we noted earlier, the passage of the Civil Rights Act in 1964 really made this goal salient. Subsequent court cases made it clear that organizations which violated this law and discriminated in hiring, promotion, compensation, or other HR decisions, could face millions of dollars in fines and penalties. More recently, changes in the Americans with Disabilities Act (discussed in Chapter 2), as well as new legislation regarding equal pay for men and women (also discussed in the next chapter) brought new legal challenges to HRM departments. In most organizations, it is the role of the HRM department, along with the legal department, to ensure that business is conducted within the law so that financial penalties and bad press can be avoided.

Interestingly, the financial crisis of 2008–2009 introduced a new wrinkle into the role of government in the management of human resources. In several cases, the federal government made huge loans to private financial institutions to keep them solvent. But, in return, the government became a major stockholder in some of these firms. As such, the federal government had a lot to say about how employees were treated and paid (especially executives). Those loans have been

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paid off, and the government is no longer a stockholder in those firms, but the level of intervention in 2008–2009 leaves the door open to possible government intervention in the future. Such intervention would require the U.S. government to take on substantial HRM responsibilities.

As noted earlier, beyond the strict legal parameters of compliance, more and more organizations today are assuming some degree of social obligation to the society in which they operate. This obligation goes beyond the minimum activities required to comply with legal regulations and calls for the organization to serve as a contributing “citizen.” Earlier in the chapter, we discussed the ideas of corporate social responsibility, conscious capitalism, and the triple bottom line, which all speak to this enhanced citizenship role. But organizations do not need to go this far to express their desire to be good citizens. Some firms support volunteer activities by employees in the local community either by granting time off or by matching employee contributions to local charities. Others provide pro bono services, and some establish charitable foundations to deal with societal problems. Whatever the choice, it often requires some work by the HRM department that goes above and beyond its usual responsibilities.

1-3d Promoting Individual Growth and Development

Finally, a fourth goal for HRM in most contemporary organizations is promoting the personal growth and development of its employees.³⁵ As a starting point, this goal usually includes basic job-related training and development activities. But in more and more organizations, it is increasingly going far beyond basic skills training. Some firms, for example, now offer basic educational courses in English, math, and science for their employees. Many organizations also include some provision for career development—helping people understand what career opportunities are available

A **psychological contract** is the overall set of expectations held by the employee with regard to what he or she will contribute to the organization and that are held by the organization with regard to what it will provide to the individual in return.

to them and how to pursue those opportunities. Formal mentoring programs are also commonly being used to help prepare women and minorities for advancement in the organization.³⁶

Individual growth and development may also focus on areas that do not relate directly to job responsibilities. For example, some organizations provide stress-management programs to help their employees better cope with the anxieties and tensions of modern life. Wellness and fitness programs are also becoming more common as organizations seek new and different ways to help their employees remain physically, mentally, and emotionally fit and better prepared to manage their lives and careers. Still another common area for continuing education is personal financial planning, which may even include assistance in writing a will or retirement planning.

Organizations, however, are viewing this goal much more broadly. For many, it means that the firm should do everything it can to ensure that employees are personally fulfilled on the job. This may involve designing jobs that are more challenging and provide more personal satisfaction (see more in Chapter 14), or it may involve providing employees opportunities to be more creative at work (see Chapter 13). In general, more firms are seeing HRM as part of the psychological contract that they have with employees: Provide a personally rewarding work experience in return for the employees’ working toward the firm’s strategic goals. A **psychological contract** is the overall set of expectancies held by the employee with regard to what he or she will contribute to the organization and held by the organization with regard to what it will provide to the individual in return. These firms know that they will get the most out of employees as sources of competitive advantage when the employees feel that their work experience is meaningful and helps them meet their potential. It is worth noting that this has largely come full circle to the early days of HRM and the human relations movement.

Many organizations provide career development guidance—helping people understand the career opportunities available to them and how to pursue them. Formal mentoring programs are also commonly used to prepare women and minorities for advancement.

THE SETTING FOR HUMAN RESOURCE MANAGEMENT

Another important factor to consider in the modern view of HRM is the setting in which the HR manager operates. Traditionally, all HR activities resided in a separate department, but this model is becoming rare. Instead, HR activities are carried out by both line and staff managers. Furthermore, we are seeing differences in the way HRM operates in larger versus smaller companies. We will explore some of these different settings.

1-4a Human Resource Management as a Staff versus Line Function

Organizations historically divided their managers into two groups: line management and staff management. HRM was traditionally considered to be a staff function. **Line managers** were those directly responsible for creating goods and services; that is, their contributions to the organization were generally assessed in terms of their actual contributions and costs to the organization's bottom line. The performance of a plant manager whose factory costs \$2.5 million per year to support (for salaries, wages, materials, and machinery) and that generates \$4 million per year in finished goods can be evaluated based on this information. Operations managers, financial managers, and marketing managers were generally considered to have line functions.

Staff managers, on the other hand, were those responsible for an indirect or support function that would have costs but whose bottom-line contributions were less direct. Legal, accounting, and HR departments were usually thought of as staff functions. Their role was to support line management's efforts to achieve organizational goals and objectives.

Today, however, many organizations have blurred this distinction. New forms of organizational design (e.g., teams and an emphasis on flatter and more decentralized organization) have made it more likely that many HRM activities are actually carried out by line managers. For example, it is fairly common today for line managers to be involved in evaluating the performance of subordinates and making recommendations about salary adjustments (although a staff member might help collect information used to support those decisions). Line managers are intimately involved in most of the interventions designed to enhance performance, and they often make decisions about pay raises and promotions.



Responsibilities for carrying out HR functions may reside in a separate HR department, but many smaller organizations do not have such departments and must deliver the required services in different ways.

In some organizations, the HRM function is structured in a completely different way. In these firms, the HRM department is structured around “centers of excellence.” In these cases, the HR department is responsible for providing services only in those cases where it can provide higher-quality services than can be purchased on the outside (i.e., through the outsourcing discussed earlier). When they cannot provide higher-quality services, they are often asked to identify and then manage the outside consultants who are brought in to perform the services. In still other cases, the HR department itself functions as a consulting operation within the organization. These departments are expected to be responsive to the needs of the other functional areas, but they have to be able to demonstrate their added value, and they must actually “sell” their services to the line managers. In these arrangements, the HRM department budget is small, and the only way to hire and retain employees in that area is to provide services that other managers are willing to pay for. Thus, the HRM department becomes a self-funding operation, or it could even become somewhat of a profit center.

Line managers are those directly responsible for creating goods and services.

Staff managers are those responsible for an indirect or support function that would have costs but whose bottom-line contributions were less direct.

1-4b The Human Resource Department in Smaller versus Larger Organizations

There are also noteworthy differences in the way HRM operations are carried out in larger versus smaller organizations. As noted, responsibilities for carrying out HR functions may reside in a separate HR department, but many smaller organizations do not have such departments and must deliver the required services in different ways.³⁷ Most small organizations require line managers to handle their basic HR functions. In the case of a franchised operation such as a single McDonald's or Pizza Hut or an individual retail outlet such as an American Eagle or Abercrombie & Fitch clothing store, the store manager generally hires new employees, schedules and tracks working hours for all employees, and disciplines problem employees. The franchiser or home office, in turn, generally suggests or mandates hourly wages, provides performance appraisal forms for local use, and may handle payroll services.

A small independent business is generally operated in the same way, with the owner or general manager handling HR duties. Payroll and other basic administrative activities may be subcontracted to businesses in the local community that specialize in providing such services for other local organizations. Relatively little training is provided in these small organizations, and other HR issues are relatively straightforward. Very small organizations are exempt from many legal regulations (again, we cover this topic more fully in Chapter 2). Thus, a single manager can usually handle the HR function in smaller firms without too much difficulty.

As a firm grows beyond a certain size (usually around 250 employees), however, a separate HR unit becomes a necessity, and the issues involved become much more complicated. No standard approach exists, but a firm of this size might have one full-time manager and a single secretary or assistant to function as its HR

department. These individuals handle all of the firm's HR administration.

As the firm continues to grow, however, more assistance is needed to staff the HR department, and so that department also grows. In fact, in the largest organizations, HR functions are themselves likely to have specialized subunits. For example, large firms might have separate departments to handle recruiting and selection, wages and salaries, training and development, and labor relations. Figure 1.2 shows how Shell Oil has organized its HR function.

1-4c The Human Resource Management System

The modern view of HRM is also a systems-oriented view. By its very nature, a strategic perspective requires the coordination of the various HRM activities to ensure that they are consistent with corporate strategy. If those services are provided primarily internally by the HRM department, this coordination can be fairly simple. As those activities move outside the organization, perhaps by contracting with outside vendors, the coordination problem becomes much more complex. But, in any case, a strategic perspective means understanding that a decision made in any one area of HRM will affect what happens in every other area. If an organization needs highly skilled, knowledgeable workers to carry out its strategy, then all staffing activities must be coordinated toward identifying and attracting such employees. After these employees join the firm, however, performance appraisals, compensation, and performance management systems must all be changed to reflect the nature of the new employee.

Thus, although we will often discuss various tasks and functions of HRM from the perspective of discrete, self-contained activities, this is not the case in practice. In fact, these tasks and functions are highly interrelated and do not unfold neatly and systematically. Each of the various tasks

FIG 1.2 THE HUMAN RESOURCE MANAGEMENT FUNCTION AT SHELL OIL

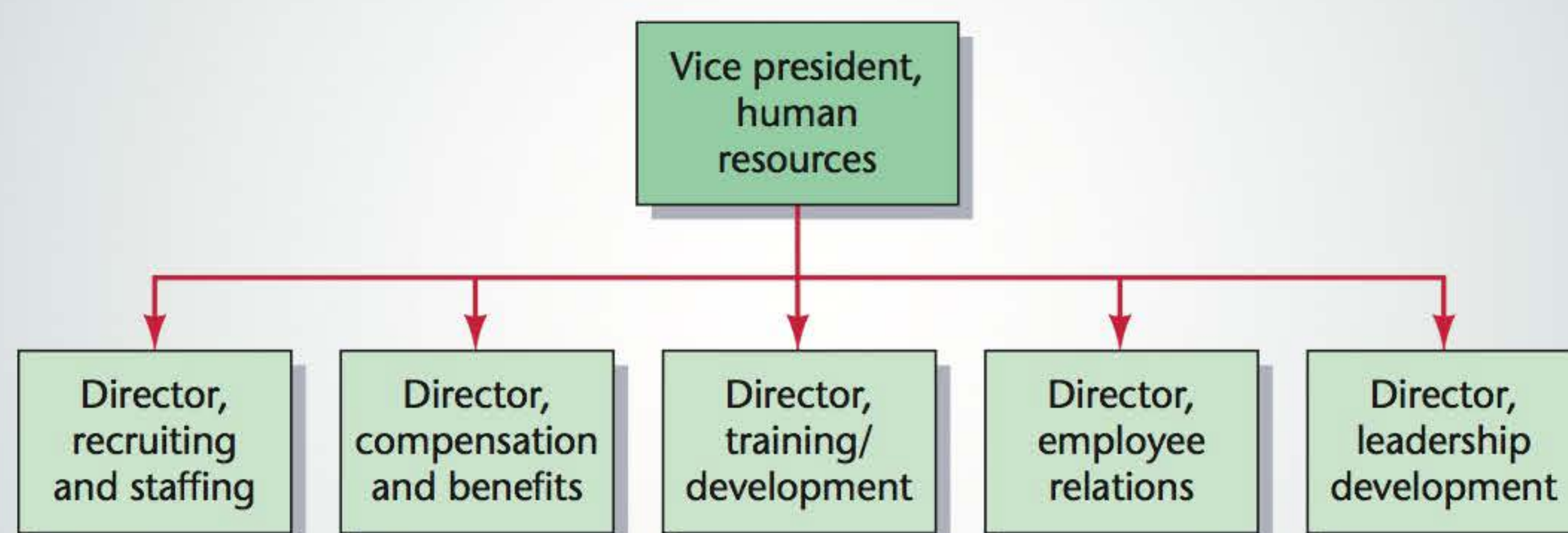
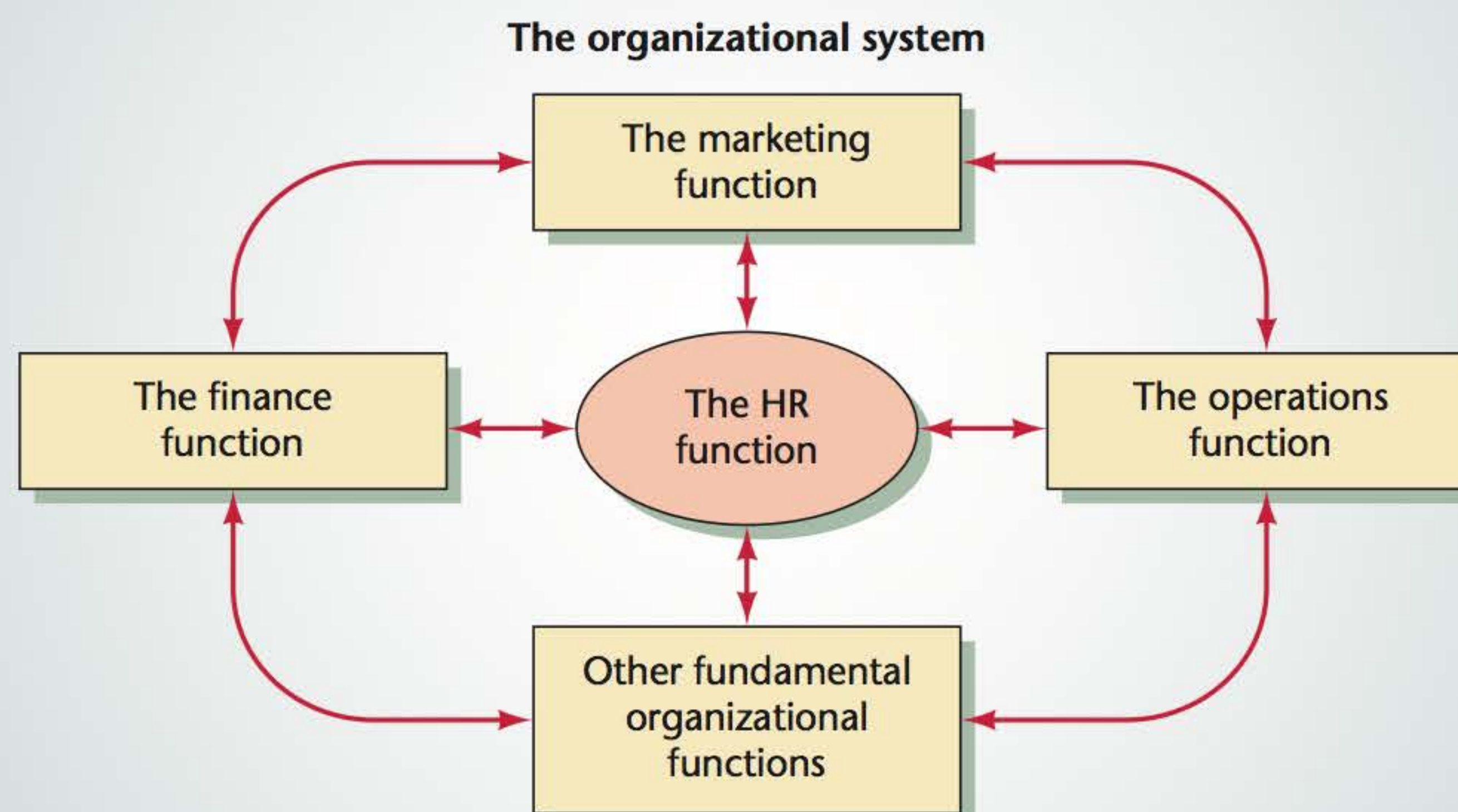


FIG 1.3 A SYSTEMS VIEW OF HUMAN RESOURCE MANAGEMENT



and functions can affect or be affected by any of the other tasks and functions. In addition, most basic HR functions are practiced on an ongoing and continuous basis.

In fact, it is appropriate to think of HRM as a system. A system is an interrelated set of elements functioning as a whole. A **human resource management system**, is an integrated and interrelated approach to managing human resources that fully recognizes the interdependence among the various tasks and functions that must be performed. This viewpoint is illustrated in Figure 1.3. The basic premise of this perspective is that every element of the HRM system must be designed and implemented with full knowledge and understanding of, and integration with, the various other elements. For example, poor recruiting practices will result in a weak pool of applicants. Even if the organization has sophisticated selection techniques available, it will not make much difference without a pool of qualified applicants to choose from. As a result, there will be a greater need for training before a new employee starts work to provide him or her with the necessary skills. Subsequent performance appraisals will also be more difficult because it may take longer for these employees to become proficient in their jobs, affecting how much they are paid.

Figure 1.3 also illustrates another useful systems-based perspective on HRM. Many systems are themselves composed of subsystems—systems within a broader and more general system. By viewing the overall organization as a system, HRM then can be conceptualized as a subsystem within that more general organizational system. As the figure shows, the HRM subsystem both affects and is affected by the other functional subsystems throughout the organization. This perspective can help to reinforce the idea that HRM must be approached from the same strategic vantage

point afforded the other areas within the organization. Failure to do so can result in unanticipated consequences, poor coordination, and less-effective performance.

To illustrate, if the organization makes a strategic decision to compete on the basis of high-quality service, then it will almost certainly need to use several mechanisms to do so. For example, the organization will need to recruit and subsequently hire more-qualified new workers and provide more training to both new and current workers. Similarly, if the financial function of an organization dictates that major cost cutting be undertaken, some portion of those costs may come from the HR area. Thus, HR managers may need to reduce the size of the workforce, attempt to renegotiate labor contracts for a lower pay rate, defer payment of some benefits, and so forth.

The increasing globalization of business also reinforces the need to view the HRM function from a systems perspective; that is, HR managers must take a global perspective in managing people. Within the borders of their own country, HR managers must consider the social norms, individual expectations, and so forth that shape worker behaviors. Cross-national assignments for managers are also an important consideration for many businesses today. Thus, the global perspective on HRM includes the need to understand domestic similarities and differences in managing human resources in different countries and the role of international assignments and experiences in the development of HR skills and abilities.

A human resource management system is an integrated and interrelated approach to managing human resources that fully recognizes the interdependence among the various tasks and functions that must be performed.

This systems approach has also led to organizations becoming increasingly interested in ways to evaluate the effectiveness of HRM activities relative to the firm's strategic goals. Traditionally, many experts believed that HRM practices could not be assessed



the firm's most critical source of information about employment practices, employee behavior, labor relations, and the effective management of all aspects of people at work. This view of HRM is illustrated in Figure 1.4, which builds on the systems view of HRM presented earlier in Figure 1.3.

with anywhere near the objectivity that we could evaluate the effectiveness of a sales campaign, for instance. But the 1980s and 1990s saw further developments in utility analysis that made it possible to determine exactly how much HRM activities contributed to a company's bottom line.³⁸ **Utility analysis** is the attempt to measure, in more objective terms, the impact and effectiveness of HRM practices in terms of metrics such as a firm's financial performance. The advent of high-performance work systems resulted in broader metrics for evaluating HRM activities,³⁹ so it is now possible to develop fairly objective measures of the effects or effectiveness of HRM practices. It remains the role of the HRM department, however, to develop these metrics and apply them to all HRM activities undertaken on behalf of the organization.

1-5 HUMAN RESOURCE MANAGERS

Who are today's HR managers? Given the rapid and dynamic changes that have characterized this field, it should come as no surprise that HR managers represent a diverse set of professionals with a variety of backgrounds, experiences, and career objectives. An HR executive today needs to understand different specialized areas such as the legal environment, the process of change management, labor relations, and so forth. In addition, contemporary HR executives must also possess general management abilities that reflect conceptual, diagnostic, and analytical skills. It is important that they fully understand the role and importance of the HR function for their organization.⁴⁰ Thus, both a solid educational background and a foundation of experience are necessary prerequisites for success.⁴¹

Consistent with these changes, it is often more useful to conceptualize HR as a center of expertise within the organization. In other words, everyone in the organization should recognize HR managers as

Utility analysis is the attempt to measure, in more objective terms, the impact and effectiveness of HRM practices in terms of such metrics as a firm's financial performance.

1-5a Professionalism and Human Resource Management

Accompanying the shifts and changes in HR functions and importance is a greater emphasis on professionalism, which is reflected by a clear and recognized knowledge base and a generally understood way of doing business.⁴² HR managers are no longer regarded as second-class corporate citizens, and more and more organizations are including a stint in HR as a normal step on a person's way to the top. Senior HR executives in large firms earn six-figure salaries and receive the same sorts of perquisites once reserved only for executives of operating units. In fact, the salaries for HR executives continue to rise at an impressive rate. HR departments are also being viewed more and more as cost centers, with the goal of providing clear and measurable financial benefits to the organization.⁴³

Many HR managers today belong to the Society for Human Resource Management (SHRM), the field's largest professional HR association. SHRM publishes professional journals that help members stay abreast of the newest developments in the field, sponsor workshops and conferences, and so forth. SHRM has created the HR Certification Institute (HRCI). The HRCI is the recognized symbol of HR certification in much the same way that the accounting profession uses the certified public accountant exam and credential to designate those individuals who have formally achieved basic minimal competencies in prescribed areas.

The HRCI currently offers three core certifications: Professional in Human Resources (PHR), Senior Professional in Human Resources (SPHR), and Global Professional in Human Resources (GPHR). In addition, HRCI also offers a state-specific certification for California. To be eligible to take the PHR, SPHR, or GPHR exam, an HR professional must have a minimum of two years of professional (exempt-level) experience and pass a rigorous examination covering the body of HR knowledge as it relates to the particular certification.