

CANADIAN
**HUMAN RESOURCE
MANAGEMENT**

SCHWIND | UGGERSLEV | WAGAR | FASSINA | BULMASH

Canadian Human Resource Management

ELEVENTH EDITION

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Canadian Human Resource Management Eleventh Edition

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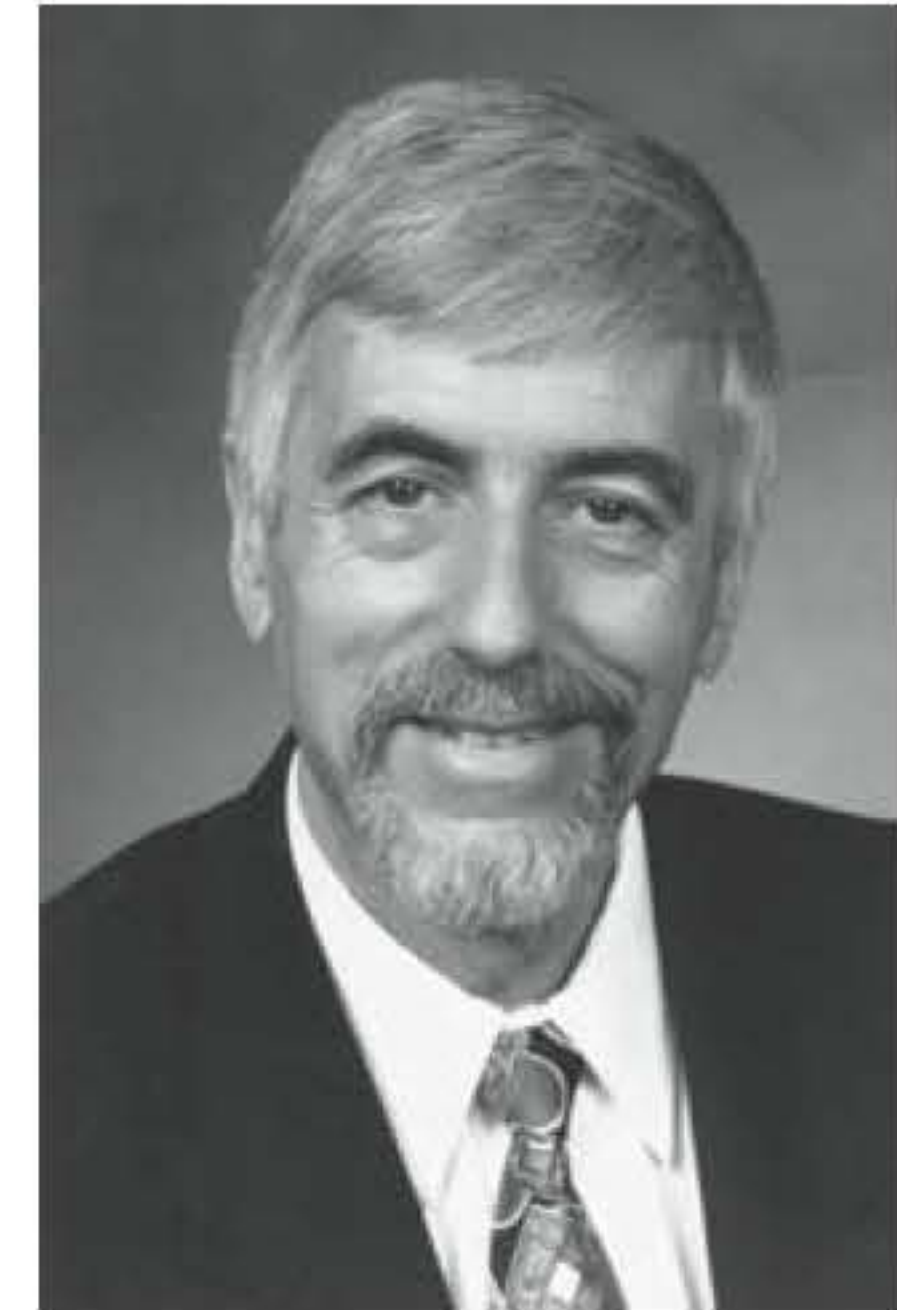
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Letter to Students

Dear Student,

This book was written with you, our customer, in mind. We have tried to make it readable and, wherever possible, we have included practical “how-to-do” steps.

Each chapter includes many common elements, such as learning objectives, terms for review, and case studies. We hope the following guide will help you make maximum use of the textbook so that you will be successful with your studies in human resource management.

At the beginning of each chapter, we offer a quote from an expert on the subject matter to give you an insight into the concepts or issues discussed. Following the opening quote, you will find the chapter learning objectives. These will give you an overview of the chapter content. They will also appear in the page margins, as numbered LOs, wherever appropriate.

Within all chapters, you will find a *Spotlight on HRM* box. These timely articles from journals and magazines in the field illustrate a manager’s or consultant’s point of view on HRM or offer a sharing of practical HRM experiences relevant to the chapter. Each chapter also contains a *Spotlight on Ethics*, where an ethics issue relevant to the chapter content is raised. It is ideally suited for class discussion.

Photos of real job situations offer insights into work environments the book is discussing. Cartoons add some humour to the otherwise quite serious content. We highlight important terms and concepts with boldface and italic type in the text. All terms appearing in boldface are also defined separately in the text and referenced in the *Terms for Review* section at the end of each chapter and in the Subject Index, highlighted in a secondary colour. Students interested in earning the Certified Human Resource Professional (CHRP) designation will find topics relevant for exams marked with an *HRC (Human Resource Competencies)* icon in the text, and can reference the specific number of the seven Body of Knowledge domains in the Preface.

An end-of-chapter summary offers you an abbreviated version of the chapter content for review. The *Terms for Review*, where all important terms (and buzzwords) are listed, is an excellent tool for conducting another self-test. Similarly, the *Review and Discussion Questions* will help you test your understanding of the most critical topics in the chapter. For a higher level of self-testing, the *Critical Thinking Questions* help you to discover whether you are able to see the broader relationships and interactions of the concepts discussed.

The *Web Research Assignments* offer you the opportunity to make use of a computer and the Internet to search for additional information. As a self-test, it assesses your ability to conduct online research.

The *Incident* is a short case that usually does not require extensive analytical work, unlike the more comprehensive case studies later in the chapter, which test your thorough understanding of concepts and their impact on an organization.

Exercises are usually conducted under the supervision of your instructor; however, they can also be used as part of a group exercise, away from the classroom.

The *References* provide you with the sources for the information given in the chapter. They can also be used as a starting point for more detailed research.

If you have any feedback regarding the readability of the textbook or suggestions on how we could improve the next edition, please contact us via the e-mail addresses given below.

Good luck with your studies!

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Preface

We believe that human resource departments will play a critical role in determining the success of Canadian organizations in the twenty-first century.

—THE AUTHORS

Teachers and students ultimately determine the value of any university textbook. *Canadian Human Resource Management: A Strategic Approach* is no exception. Its tenth edition passed the test of the marketplace by earning adoptions and re-adoptions in more than sixty colleges and universities in Canada and becoming the best-selling human resource management text in this country. The book's thrust on presenting the key concepts, issues, and practices of this exciting field without being encyclopedic; its practical focus; and its emphasis on readability have endeared it to hundreds of instructors and thousands of students in Canada. Equally gratifying to the authors is that a large number of students retained this book for their professional libraries after course completion, suggesting that they found real value in the book.

Balanced Coverage

We attribute the book's popularity to its balanced coverage of both theory and practice, and both traditional materials and emerging concerns. Regardless of their orientation, readers will sense our belief that people are the ultimate resource for any employer. How well an organization obtains, maintains, and retains its human resources determines its success or failure. And the success or failure of our organizations shapes the well-being of every individual on this planet. If the events of the last decade are any indication, the human race is entering a totally new phase in its evolution. The breakup of protectionist trade barriers and ideological walls that separate countries of the world may mean that the manager of the twenty-first century has to operate in a more complex and dynamic global setting that is also much more interdependent. Training in human resource management (HRM) will become even more critical in this new setting.

The eleventh edition of *Canadian Human Resource Management: A Strategic Approach* builds on the strengths of the tenth edition. The book is divided into seven parts.

- **Part 1: The Strategic Human Resource Management Model** introduces the strategic model that will be used as a guide through all chapters.
- **Part 2: Planning Human Resources** describes the two pre-hiring processes, analyzing the jobs in question and planning for future staff needs. New job options have to be integrated into the organization as part of the planning process.
- **Part 3: Attracting Human Resources** covers the legal aspects of any hiring decision and discusses recruitment and selection processes and the management of a diverse workforce.
- **Part 4: Placing, Development, and Evaluation of Human Resources** discusses the importance of preparing employees for new challenges through training and development and providing timely performance feedback.
- **Part 5: Motivating and Rewarding Human Resources** reviews the many ways a human resource department can contribute to a more effective organization through a fair and equitable compensation system and proficient benefits administration. Creating a motivating environment is another responsibility of the HR manager.
- **Part 6: Maintaining High Performance** brings up the issues related to workplace safety, which is of concern to every manager. This concern has to be conveyed to all employees through an effective communication system. Good interpersonal relations require appropriate and fair discipline procedures.

This part also discusses in detail the union-management framework, union organizing, collective bargaining, and collective agreement administration.

- **Part 7: Human Resource Management in a Global Context**, the final part, examines the proper preparation of employees destined for a job abroad and the many challenges facing human resource managers when working with expatriate or foreign staff.

Updated in the Eleventh Edition

The chapters in the new edition have been streamlined and organized for easier reading and retention of material by students. The focus of the text continues to be the strategic contribution of HR function in organizations; but an explicit recognition of the relationship between HR strategies, tactics, and systems has been incorporated into the model and throughout the text material. Within this format, both present and emerging concerns of a significant nature are highlighted. Key terms are bolded and an extensive glossary of HR terms is included at the end of the text.

This edition has a very thorough coverage of Canadian human rights legislation and an in-depth discussion of the *Canadian Charter of Rights and Freedoms*. A number of recent trends and potentially promising HRM strategies have been incorporated into appropriate chapters of the new edition. HRM has recently played a more important role in the overall strategy of companies. This trend is strongly reflected in the new edition. All chapters now include a discussion of how the topic dealt with in the chapter should be mirrored in the HRM strategy and how this strategy fits into the overall strategy of the organization. This edition also discusses the national Certified Human Resource Professional (CHRP) designation requirements and the Human Resource Competencies (HRCs) identified by the task force on this matter.

All chapters have been updated. Information on legislative changes, especially in the area of employment equity (women, sexual orientation, the disabled, and First Nations People), statistics, and demographics, is the latest available. New work options provide organizations not only with opportunities to be more effective but also offer employees more flexible work opportunities, better suited to their needs. Growing international trade dictates that Canadians may be required to go abroad to manage subsidiaries or to work in joint ventures. Thorough pre-departure training is a must. Addressed also are issues related to managing international staff and the reintegration of expatriates into the home organization. The text provides over one hundred examples and anecdotes of Canadian and global firms—private and public, local and national, and large and small.

Some reviewers suggested that more emphasis be placed on the “how to do it” discussions. This suggestion has been followed in almost all chapters and, whenever possible, a step-by-step approach has been used.

Key Features

In addition to new features, important key features from previous editions have been retained.

Running Cases—This is the only Canadian HR text to have two cases anchored to material in every single chapter. Maple Leaf Shoes Limited symbolizes traditional HR practices—mostly responding to problems in a reactive fashion. In contrast, Canadian Pacific and International Bank Limited symbolizes the progressive, proactive, and strategic role of HR in today’s organizations. By comparing the practices of the two firms, the student should be able to learn how HR can make a significant contribution to organizational success and growth.

CASE STUDY



Maple Leaf Shoes Ltd.

Legal Challenges

Maple Leaf Shoes Ltd. is a medium-sized manufacturer of leather and vinyl shoes located in Wilmington, Ontario. It was started in 1969 and currently employs about 400 persons in its Wilmington plant and some 380 more in offices and warehouses throughout Canada and internationally. More information on the firm and its operations is provided at the end of Chapter 1.

Eva White was the operator of a leather-cutting machine. When Eva heard the bell ring, indicating the end of the workday, she shut down her cutting machine and headed toward the women's locker room. It had been a long day and standing for eight hours on the machine didn't do her back any good. When she approached her locker, she saw that Rosetta Maurizio, who used the locker next to hers, was already there, changing into her street clothing. Eva and Rosetta had been hired together 10 months earlier. They had not known each other before, and, although they worked in different parts of the building, they kept each other company in the cafeteria during their lunch breaks. As her name indicated, Rosetta was of Italian descent. She had immigrated to Canada from Italy with her parents several years before, but her Italian accent was still quite noticeable.

Spotlights—Most chapters provide a “Spotlight on HRM” focusing on an emerging practice, issue, or HR opportunity. Some Spotlights from previous editions have been retained at the request of reviewers; the new ones reflect current trends and practices.

Spotlight on HRM



Using MOOCs in Corporate Training

Given the popularity of using massive open online courses (MOOCs) in higher education, it is no wonder that training executives and chief learning officers are excited about their potential in corporate settings. Although a 2013 study of a million MOOC students found low course engagement and high drop-out rates, with only 4 percent completing courses, corporate training experts believe business MOOCs may be valuable and cost-effective future training platforms.

MOOCs at AT&T

In 2013 AT&T partnered with MOOC-provider Udacity Inc. and Georgia Tech University to create one of the first accredited degree programs using the MOOC teaching model. With significantly lower tuition costs than an on-campus master's degree and tuition covered by the company, more than 200 AT&T employees have registered in the MOOC format Master's in Computer Science program.

The company needs more skilled software and network engineers to meet its evolving business in wireless, cloud-based products and services, and MOOCs can deliver leading-edge knowledge in those areas. AT&T senior vice president of human resources, Scott Smith, said “The MOOCs are a complement to the training we deliver internally, and they enable employees to access content 24/7 in ways that fit their work schedules and lifestyles. The format gives us a way to provide additional learning that in some cases may be too expensive to do internally, or when we may not have the instructors or content that a Georgia Tech or Udacity can offer.”

Corporate MOOC Design

The key to MOOC success in the corporate domain may rest with motivated learners and MOOC design. Corporate learners may not seek to complete full courses, but rather seek information to address a specific issue or problem they are facing at work. So the drop-out rates that plague higher education MOOCs may not be of concern; learners will engage in the MOOC for only the portions providing the knowledge they seek. In organizations where MOOC completion is desired, some companies may provide “badges” for corporate profiles (e.g., AT&T) or certificates (Yahoo).

Ethics Box—A significant feature is the “Spotlight on Ethics,” in which an ethics issue relevant to the chapter content is discussed.

Spotlight on ETHICS

The Hiring Dilemma

The manager of an accounting department has to hire the replacement for a retiring accountant. Over twenty applicants have applied and three were put onto the short list. One of the shortlisted candidates is a 60-year-old CPA, more experienced than the other two, who also have a CPA designation. The manager knows that the department will change accounting practices in the near future (no date has been set yet) and introduce new accounting software, which will require extensive retraining of current staff. If the more experienced candidate is hired, the manager will be faced with the question of whether it is justified to invest a considerable amount in retraining a person who may retire soon after. But if one of the younger candidates is hired, the company might face an age discrimination charge. What should the manager do?

Web Research—To assist students in making optimal use of the Internet for more information on HR topics, HR related websites are provided throughout the text and hotlinked in the ebook. To facilitate class discussion, a web research question has been added at the end of every chapter. We have also included a handy reference list of important homepages related to human resource management on Connect.

Global Knowledge <<http://www.globalknowledge.ca>>, a leader in business and IT training, in conjunction with Deloitte <<http://www.deloitte.ca>>, a leading professional services firm, was awarded gold honours by the Canadian Society for Training and Development (CSTD) for their Managers 1 and 2 programs. These programs are designed to prepare the new managers to increase their confidence and capability. The program offered originality, instructional design, virtual class elearning, self-paced elearning, live labs, and a knowledge centre that included webinars, blogs, mobile apps, and special reports. The programs focused on the day-to-day realities that new managers face and provided them with the tools to manage these situations using technology.⁴¹

In-Text Glossary—Important terms and concepts are highlighted with boldface type in the text. Allowing students to find critical definitions at a glance, all terms appearing in boldface are also defined in the text between two separation lines and referenced in the Terms for Review section at the end of each chapter. They can also be found in the Subject Index, highlighted in a secondary colour. Finally, a full list of glossary terms is also provided in the end matter of the text.

HRC Icons—The specific content relating to the national CHRP designation requirements are identified by Human Resource Competencies (HRC) icons in the text, where relevant.

HRC #1 - Strategy

HRC #2 - Professional Practice

HRC #3 - Engagement

HRC #4 - Workforce Planning and Talent Management

HRC #5 - Employee and Labour Relations

HRC #6 - Total Rewards

HRC #7 - Learning and Development

HRC #8 - Health, Wellness, and Safe Workplaces

HRC #9 - Human Resource Metrics, Reporting, and Financial Management

Source: <http://www.hrma.ca/wp-content/uploads/2014/09/CHRP-competency-framework.pdf>

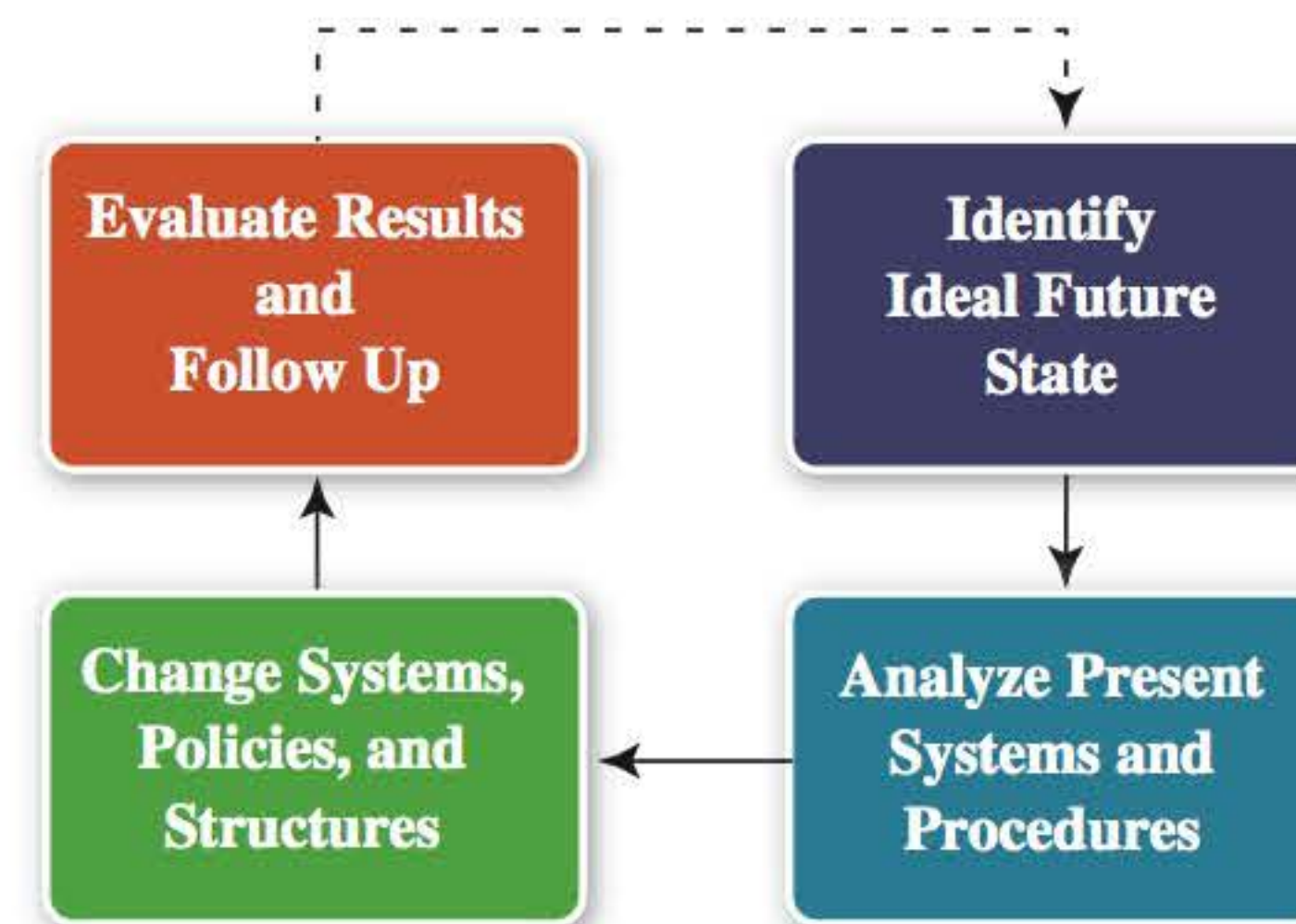
Learning and Pedagogical Devices

Also retained from previous editions are the following features:

Figures—Charts and diagrams are included to illustrate relevant ideas and concepts.

FIGURE 4-6

Steps in Managing Diversity



SOURCE: Adapted from Hari Das, *Strategic Organizational Design: For Canadian Firms in a Global Economy*, Scarborough, ON: Prentice Hall, 1998, p. 340. Reprinted with permission of Pearson Education Canada Inc.

Terms for Review—All important terms and buzzwords are included. It is an excellent tool for self-testing.

Learning Objectives—This useful tool enables students to gauge their progress and understanding while working through each chapter.

End-of-Chapter Summaries—the authors provide an abbreviated version of the main ideas, theories, and strategies of each chapter.

SUMMARY

Government is a significant variable that strongly shapes the role of human resource management. It influences human resources through laws governing the employment relationship. The application of the Charter of Rights and Freedoms was awaited with high expectations from both labour and management. However, its impact on the human resource management field has been mixed.

The two sources of equal employment laws are the federal and provincial human rights statutes. The *Canadian Human Rights Act* applies to federal government departments and agencies, Crown corporations, and businesses and industries under federal jurisdiction, such as banks, airlines, and railway companies. Areas not under federal jurisdiction are protected by provincial human rights laws. Each of Canada's provinces and territories has its own antidiscrimination laws that are broadly similar to the federal law.

Review and Discussion Questions—Review and Discussion Questions test students' understanding of the chapter material and suggest topics for class or group discussions.

REVIEW AND DISCUSSION QUESTIONS

1. Suppose that during your first job interview after graduation you are asked, "Why should a company have an employment equity program?" How would you respond?
2. List the major prohibitions of the *Canadian Human Rights Act*.
3. Since a human resource department is not a legal department, what role does it play in the area of equal employment law?
4. Suppose that you are told that your first duty as a human resource specialist is to construct an employment equity program. What would you do? What types of information would you seek?
5. What conditions would have to be met before you could bring suit against an employer who discriminated against you because of your sex?
6. A job candidate answers "yes" to the question of whether she is a smoker. She is well qualified, but you decide not to hire her. Does she have legal recourse?
7. Why is management of diversity important for an organization today?
8. What are the steps in implementing a diversity management program?

Critical Thinking Questions—These questions challenge students to expand on what they have just learned, discussing broader relationships and interactions of the concepts in the chapter.

CRITICAL THINKING QUESTIONS

1. If you are a supervisor in a bank and an employee demands to be allowed to miss work on Fridays for religious reasons, what would you do? Under what circumstances would you have to let the employee have time off? Under what circumstances could you prohibit it?
2. You have a job opening for a warehouse helper, a position that sometimes requires heavy lifting, up to 50 kilograms. A woman applies for the job and claims that she is able to do the work. She looks rather petite, and you are afraid that she may hurt herself. When you deny her the job, she threatens to complain to the Human Rights Commission. What do you do?
3. Choose an organization that you are familiar with. Are any of its rules, practices, or policies likely to be found undesirable by its female, minority, or older employees? Why?
4. If 40 percent of your employees are women, but if women account for only 2 percent of the executive group and 4 percent of the managerial group, what steps will you take to improve the status of women in your organization?

Incident—These short cases test students' understanding of concepts and their impact on the organization.

INCIDENT 4-1

Metropolitan Hospital's Employment Equity Needs

A large metropolitan hospital in Ontario recently developed an employment equity program. Under the program, the hospital agreed to promote two women into supervisory ranks for each man promoted. This practice was to continue until 40 to 45 percent of all supervisory jobs in the hospital were held by women.

The need for the first supervisory promotion occurred in the medical records department. The manager of medical records was one of the few female managers in the hospital. Nevertheless, she argued that Roy Biggs should become a medical records supervisor, as he was best qualified. Roy had two years of medical school and was a graduate of a medical records program at the local community college. The assistant director of hospital operations agreed that Roy should get the promotion. The equal employment compliance specialist in the human resource department argued that Kate VanDam should get the promotion, because of the employment equity program and because she had more seniority and experience in the department than Roy. The records manager, the assistant administrator, and the compliance specialist decided that the human resource manager should make the final decision.

Exercises—These offer students the opportunity to apply strategies to specific situations and arrive at their own conclusions or discuss with the instructor and fellow students.

EXERCISE 4-1

Carver Jewellery Company

Carver Jewellery Company Ltd. has the following workforce composition:

Job Classes	Male	Female	White	Black	Asian	Native Peoples
Executive	9	1	10	0	0	0
Management	71	9	79	0	1	0
Salaried/commission	43	31	74	0	0	0
Hourly paid	24	164	168	10	8	2

Subject Index—All chapter topics are indexed by subject. Glossary terms and page references are included in a secondary colour.

Reference Notes—Specific cases and other source references are gathered at the end of the text for more detailed research purposes.

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Glossary—The most comprehensive glossary in the HR field—over 600 items—completes the book, allowing students to find definitions of most HR terms and concepts.

Glossary

360-degree performance appraisal Combination of self, peer, supervisor, and subordinate performance evaluation.

ability tests Tests that assess an applicant’s capacity or aptitude to function in a certain way.

ads Advertisements in a newspaper, magazine, and so on that solicit job applicants for a position.

alternate work arrangements Nontraditional work arrangements (e.g., flextime, telecommuting) that provide more flexibility to employees while meeting organizational goals.

alumni associations Associations of alumni of schools, colleges, or other training facilities.

applicant tracking systems (ATS) Databases of potential candidates that enable a good match between job requirements and applicant characteristics and also enlarge the recruitment pool.

apprenticeships A form of on-the-job training in which junior employees learn a trade from an experienced person.

financial management, internal operations, and customer management.

behavioural description interviews Interviews that attempt to find out how job applicants responded to specific work situations in the past.

behaviourally anchored rating scales (BARS) Evaluation tools that rate employees along a rating scale by means of specific behaviour examples on the scale.

benefit audit A system to control the efficiency of a benefit program.

biographical information blank (BIB) A type of application blank that uses a multiple-choice format to measure a job candidate’s education, experiences, opinions, attitudes, and interests.

blind ads Job ads that do not identify the employer.

blog A web log—an online journal, diary, or serial published by a person or group of people.

bona fide occupational requirement

Canadian Human Rights Commission (CHRC) Supervises the implementation and adjudication of the *Canadian Human Rights Act*.

Canadian Labour Congress (CLC) An organization, with a membership of about 3.3 million, that represents many unions in Canada.

Canadian Occupational Projection System (COPS) Provides up to 10-year projection of Canadian economy and human resource needs.

career development A lifelong series of activities undertaken by individuals in their pursuit of a career.

career management A series of formal and less formal activities designed and managed by the organization to influence the career development of one or more employees.

career planning The process through which someone becomes more aware of their interests and needs, motivations, etc. in terms of their career.

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INSTRUCTOR RESOURCES

Instructor Resources

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- Microsoft® PowerPoint® Presentation Slides
- Videos
- Manager's HotSeat Videos
- CCH Canada BusinessWorks©

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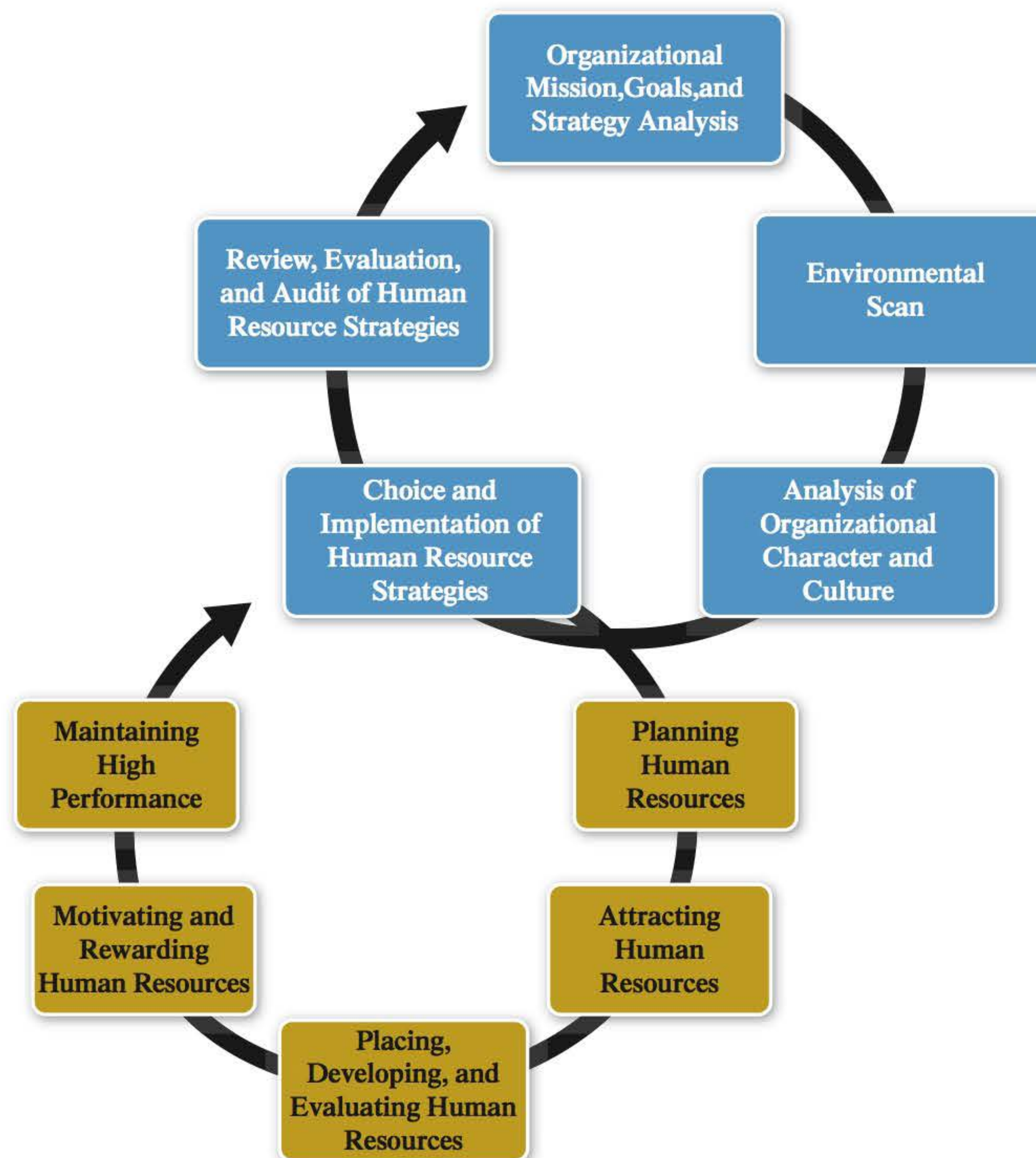
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The Strategic Human Resource Management Model



Human resource management helps organizations and their employees attain their goals. This section explores some of the challenges facing organizations and outlines how strategic human resource management provides a framework for success upon which the rest of this book builds.



CHAPTER 1

Strategic Human Resource Management

The only vital value an enterprise has is the experience, skills, innovativeness, and insights of its people.

LEIF EDVINSSON¹

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

-
- LO1** Discuss the objectives of human resource management.
-
- LO2** Identify steps in strategic management of human resources.
-
- LO3** Explain how human resource departments are organized and function.
-
- LO4** Discuss the role of human resource professionals in today's organization.

Consider for a moment the impact organizations have on your daily life. From the products you consume to the services you use, to the post-secondary institution you are attending, the vast majority of our time is spent interacting with organizations, their products, or services. One element ties all of these organizations together: people.

People are at the core of all social organizations—from the sole proprietor who owns and operates a small coffee shop to a multimillion dollar organization like George Weston Limited <<http://www.weston.ca>>. They create the goals, the innovations, and the accomplishments for which organizations are praised. They create the work environments that win awards like the “Canada’s Best Managed Companies” <<https://www.bestmanagedcompanies.ca>>. When looked at from the perspective of the organization, people are resources. They are not inanimate resources, such as land and capital; instead, they are *human* resources. Without them, organizations would not exist.

At the beginning of the 1960s, the National Aeronautics and Space Administration (NASA) <<http://www.nasa.gov>> was trying to figure out how to build a spacecraft that would allow humans to return safely to earth.² At the time, an aeronautical engineer named Charles Yost developed what was called “slow spring back foam.” This product was later adapted and is now referred to as “memory foam” and is found in football helmets, airline seats, and pillows.

Although NASA’s balance sheet did not list its human “assets,” these resources were at work. Before the foam discovery, a casual observer would have considered NASA’s tangible infrastructure as the company’s most important asset. With each discovery and innovation necessary to enable space travel, NASA’s assets continued to grow. A keen observer would note that neither the tangible assets nor the innovation would be of great value without capable people to manage them. Amazingly, today NASA faces similar challenges; however, rather than returning from the moon safely, a major innovation challenge is how to return humans safely from Mars.³

Organizational success depends upon careful attention to human resources. An organization’s strategies are dependent on the people brought together to create them. In turn, the success of an organization relative to these strategies are dependent upon the practices used to organize and lead human resources. Some of the best managed and most successful Canadian organizations are those that effectively make employees meet organizational challenges creatively:

In high-tech organizations, it is critical to motivate the engineers to come out with creative designs and systems; in research organizations, fostering creativity and free flow of ideas among researchers may be the key to success; in some manufacturing organizations, cost control or new innovations spells success; while in retail and service industries, the difference between growth and extinction is marked by the quality of service. In all instances, it is the employees who enable a firm’s future and success.

LO1 **HRC 1**

What Is Human Resource Management?

To understand what human resource management is, we need to first consider why people come together to form organizations. In short, organizations bring people together in a coordinated manner to accomplish goals or objectives that could not be accomplished by a single individual. The goals that organizations set may be as varied as the organizations themselves. Many **organizational goals**, however, may be categorized into economic (e.g., profit, shareholder value), social (e.g., ethical practices), and environmental (e.g., reduction of carbon footprint) goals. For an organization to achieve its goals, employees must engage in actions and behaviours that move the organization toward accomplishing them. If employees do not contribute to an organization’s goals—or worse, engage in behaviours or actions that move the organization away from its goals—the organization will stagnate and potentially fail.

organizational goals

An organization’s short- and long-term goals that human resource management aims to support and enable.

At its core, **human resource management** is the leadership and management of people within an organization using systems, methods, processes, and procedures that recruit, select, motivate and enable employees to achieve outcomes individually and collectively that in turn enhance employees’ positive contribution to the organization’s goals. Thus, human resource management is not an end in itself; it is a means of structuring the organization to facilitate and enable the organization to achieve its

organizational objectives. The role of human resource management is therefore critical to the success—indeed, even the very survival—of the organization.

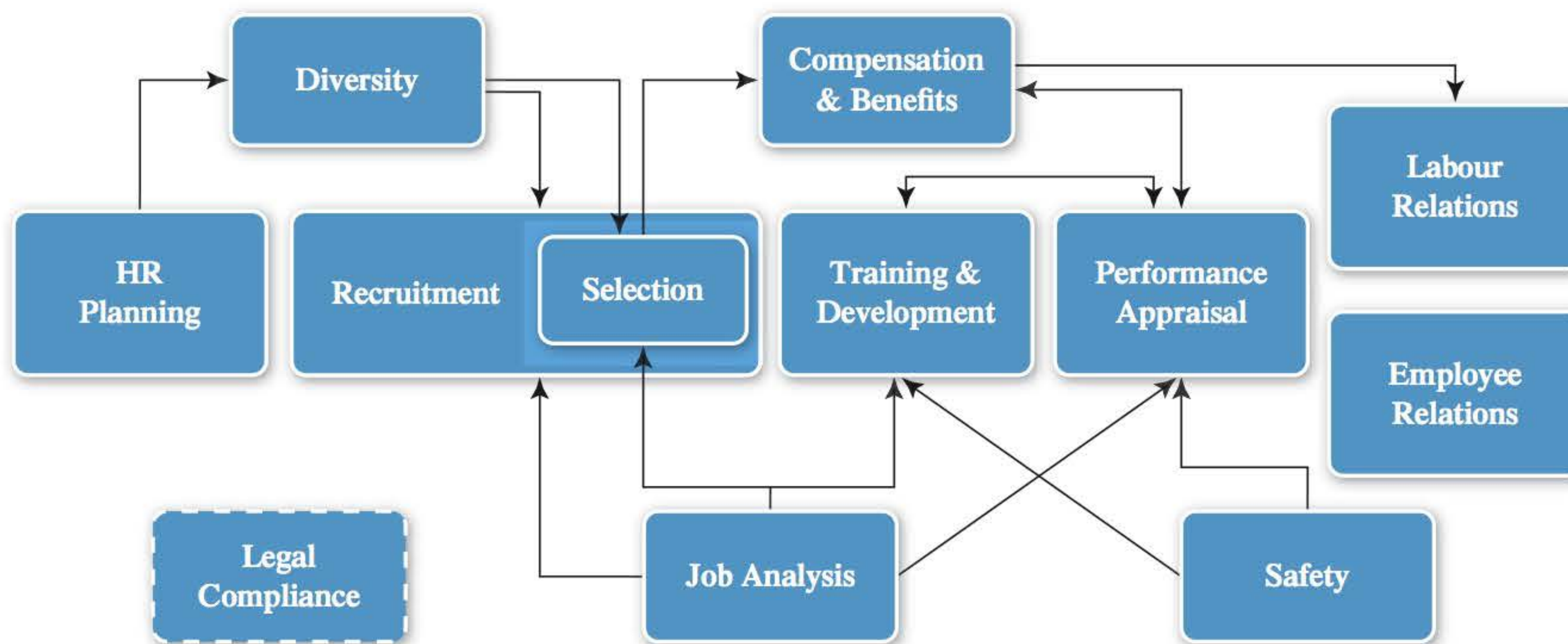
human resource management

The leadership and management of people within an organization using systems, methods, processes, and procedures that enable employees to optimize their performance and in turn their contribution to the organization and its goals.

Human resource management as a specialist function evolved from very small beginnings (See Appendix A at the end of this chapter for the growth of human resource functions over time). Inseparable from key organizational goals, product-market plans, technology and innovation, and an organization's strategy, the field of human resource management comprises numerous activities—many of them discussed in depth throughout this textbook. Although each topic within human resources is addressed individually, it is important to recognize that the activities within human resource management are all interconnected. Figure 1-1 highlights some of this interconnectedness. When a change is made to one activity, it often has an impact on another activity. For example, if an organization acts to engage long-term employees in order to prevent them from leaving, it may spend fewer dollars recruiting and hiring new employees.⁴ For human resource management systems, practices, and activities to be effective, leaders must consider how changes may affect the system overall.

FIGURE 1-1

The Interconnectivity of Human Resource Management Activities



The Difference between Human Resource Management and a Human Resource Department

Before moving on, it is important to differentiate between the field of human resource management and a human resource department. Although human resource management is central to all organizations, not all organizations will have a dedicated human resource department. The field of human resource management thus focuses on what leaders and managers should do as it relates to organizing human resource systems, policies, and procedures. These systems, in turn, create value by facilitating and enabling employees to achieve individual goals that in turn contribute to corporate or organization goals.⁵

A human resource department, on the other hand, is a specialized group with the primary focus of ensuring the most effective use of human resource systems across an organization to enhance employee

performance and accomplish organizational goals. The contribution of a human resource department should be kept at a level appropriate to the organization's needs and resources. In a new venture or micro-business, human resource management may be performed by the entrepreneur or one individual who has numerous other duties within the organization. As the organization grows, the organization may decide to hire a professional human resource manager. Within large-scale organizations, it is not uncommon to have numerous people dedicated to organizing human resource practices. However, resources are wasted when the human resource department is more or less sophisticated than the organization demands. A 2006 study on the size of human resource departments in European nations found that, on average, organizations had three human resource staff for every 200 employees.⁶

Regardless of the size of an organization and whether or not the organization has a human resource department, the responsibility for the day-to-day management of human resources most often rests with individual managers throughout the organization.

Strategic Human Resource Management

Human resource management must operate within the framework of an organization. Like other activities, human resource management activities must contribute to the organization's goals and performance.⁷ In response to a growing call for accountability, recent decades have witnessed an increased attention to strategic human resource management. Strategic human resource management seeks to recognize that the choice of human resource tools will depend on what the organization is trying to achieve. That is, the human resource management activities must align and contribute to the organization's strategies.

A strategy is similar to a game plan: It involves large-scale, future-oriented, integrated plans to achieve organizational goals and respond to uncertain and competitive environments facing the organization. In part, a strategy identifies how the organization will create value.⁸

Strategies are often formulated at three levels: *corporate*, involving the entire organization; *business*, involving a major activity, business, or division in a large multi-business organization; and *functional*, involving managers of different activities, services (e.g., finance, marketing), or geographical areas.⁹ Depending on organizational conditions, strategies may be developed at any or all of these three levels. Strategies can vary significantly, even within the same market.

Walmart <<http://www.walmart.ca/en>> uses a slogan of "Save money. Live Better."¹⁰ As a result, Walmart tends to follow a low-cost strategy. Target <<http://www.target.com>>, on the other hand, has a slogan of "Expect more. Pay less."¹¹ As a result, Target tends to follow a value-based strategy.

Strategic human resource management is the process of integrating the strategic needs of an organization into our choice of human resource management systems and practices to support the organization's overall mission, strategies, and performance. Strategic human resource management is a value driven, proactive focus on how best to deploy human resource practices and activities to enable an organization of any size to achieve its goals while at the same time recognizing that the people who make up an organizations human resources will have needs and goals of their own. We start with a discussion of strategic human resource management because it lays a foundation from which the topics discussed throughout this textbook can be integrated into a human resource system.

strategic human resource management

Integrating the strategic needs of an organization into our choice of human resource management systems and practices to support the organization's overall mission, strategies, and performance.

At the core, it is important that human resource strategies and tactics be mutually consistent and that they reflect the larger organizational mission and strategy. Even the best-laid strategies may fail if they are not accompanied by sound human resource programs or procedures.

Costco Wholesalers <www.costco.ca> has a strategy based partly on high volume and value-based sales. To support this strategy, they have few people on the retail floor to help shoppers and instead employ a large number of cashiers to process orders more quickly. This could be compared to Holt Renfrew <www.holtrenfrew.com> that has a strategy based partly on high quality and high value products. As such, Holt Renfrew employs proportionately more sales associates to assist shoppers in product choice and fewer cashiers.

By integrating corporate strategies with the choice of human resource practices, human resource managers can remain proactive and anticipate challenges or problems both inside and outside the organization and make adjustments before they impact the organization or its people. This is often referred to as **proactive human resource management**. The alternative is **reactive human resource management**, which occurs when decision makers respond to problems or challenges as they arise.

proactive human resource management

A human resource management approach wherein decision makers anticipate problems or challenges both inside and outside the organization and take action before they impact the organization.

reactive human resource management

A human resource management approach wherein decision makers respond to problems or challenges as they arise rather than anticipate them.

To contend with the demand for talent in retail locations, a number of large organizations such as McDonald's <<http://www.mcdonalds.ca/ca/en.html>>, Home Depot <<http://www.homedepot.ca/>>, and Walmart have turned to recruiting and hiring retired workers to complement traditional recruitment and selection practices focused on the youth.

The strategy of attracting talent from nontraditional labour pools is an example of how proactive strategies can better meet the needs of organizations than reactive ones. In the examples above, the human resource departments of these companies did not wait for a resurgence in the youth population—indeed, a population that continues to shrink. Rather, they sought out talent from a growing population—retiring workers. The importance of understanding the forces that may impact organizations and their strategies are critical in strategic human resource management and will be discussed later in this chapter.

Just as each member of an organization is expected to generate positive contributions to the accomplishment of an organization's goals, so too is every human resource system. That is, each and every human resource system, practice, process, or tactic should generate value for the organization. The challenge for managers of human resources is to understand that within a system of people, a decision to change one thing will often have an impact on other human resource practices or activities. Moreover, these decisions are often influenced by the organization and its environment. To this end, managers of human resources need to be able to integrate and synthesize information about an organization, its environment, its culture, and its strategies to make the most effective human resource decisions for the organization. For example:

A number of organizations are installing workout facilities within the organization's physical space. At first glance, this may appear to be simply a cost centre for an organization with respect to the installation and ongoing maintenance and operation of the facility. A closer consideration, however, may reveal an increase

in employee morale, decreased expenses associated with sick days and health benefits, and a time savings for employees who no longer need to leave the office early to drive to a gym.

Although HR managers must be consistently strategic in their mindset, human resource issues are also dominating corporate strategic priorities. Part of this focus is based on the observation that employee salaries may account for more than 50 percent of the operating expenses in many organizations.¹² As a result, the expectations for human resource departments are regularly on the rise:

A survey of 200 CEOs and other top executives in the United States, United Kingdom, France, Spain, Germany, and Australia indicates that four of the five top strategic priorities most commonly identified by business executives are HR related (ranks in parentheses): attracting and retaining skilled staff (1); improving workforce performance (3); changing leadership and management behaviours (4); and changing organizational culture and employee attitudes (5). The other priority, rated second overall, was increasing customer service—while a marketing priority, customer service is still closely linked to HR activities such as training, compensation, and performance management. Only 13 percent of the respondents, however, reported satisfaction with the way their HR departments achieved these priorities, thus underscoring the major strides HR has to make to fulfill organizational expectations.¹³

LO2

Understanding the Strategic Human Resource Management Process

To be effective, a human resource management strategy and system should be formulated after careful consideration of an organization's environment, mission and objectives, strategies, and internal strengths and weaknesses, including its culture. Often, the human resource strategy formulation and implementation process consists of the five steps as outlined in Figure 1-2.

Step 1: Organizational Mission, Goals, and Strategy Analysis

As the line between human resource management and strategic human resource management becomes less clear, a greater integration of human resource systems and priorities into an organization's overall mission, goals, and strategies becomes ever more important. An organizational analysis, involving a close look at the organization's overall mission, goals, and strategies, is the first integral aspect of identifying human resource strategies.

The way in which an organization defines its mission often significantly influences human resource strategies. A **mission statement** specifies what activities the organization intends to pursue and what course is charted for the future. It is a concise statement of “who we are, what we do, and where we are headed” and gives an organization its own special identity, character, and path of development.

mission statement

Statement outlining the purpose, long-term objectives, and activities the organization will pursue and the course for the future.

For example, two similar pork producers may have varying missions. One may define the mission as “to be a sustainable pork producer,” while the other may define it as “to be a leading pork producer.” The associated strategies are likely to show significant differences. Apart from finding efficient ways to raise hogs, the former may also seek ways to improve the effectiveness and safety of manure recycling or seek strategies to raise antibiotic-free hogs while the focus of the second producer may be expansion and profitability.