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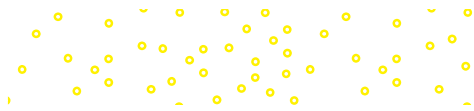
Human Resource MANAGEMENT

GAINING A COMPETITIVE ADVANTAGE **12e**

Raymond Noe • John Hollenbeck • Barry Gerhart • Patrick Wright

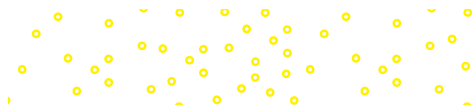


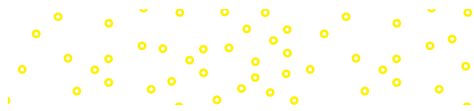
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Human Resource Management

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RAYMOND A. NOE

The Ohio State University

JOHN R. HOLLENBECK

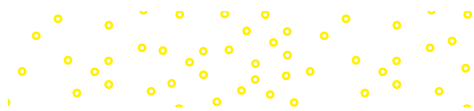
Michigan State University

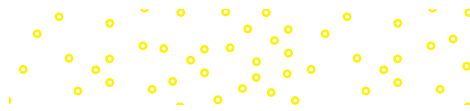
BARRY GERHART

University of Wisconsin–Madison

PATRICK M. WRIGHT

University of South Carolina





HUMAN RESOURCE MANAGEMENT

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**To my wife, Caroline, and my children, Ray, Tim,
and Melissa.**

— R. A. N.

**To my parents, Harold and Elizabeth, my wife,
Patty, and my children, Jennifer, Marie, Timothy,
and Jeffrey. And to the best plus ones ever—
Jonathon, Mariano, Sabrina, and Kelsey.**

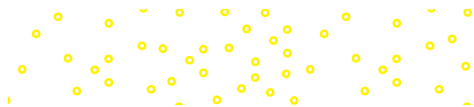
— J. R. H.

**To my parents, Robert and Shirley, my wife,
Heather, and my children, Chris and Annie.**

— B. G.

**To my wife Mary and son Matthew, looking forward
to the days ahead, and to my parents Patricia and
Paul, and son Michael, looking forward to seeing
you again in eternity.**

— P. M. W.

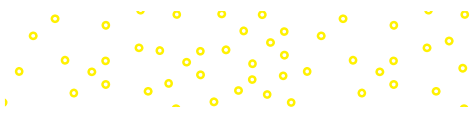


ABOUT THE AUTHORS



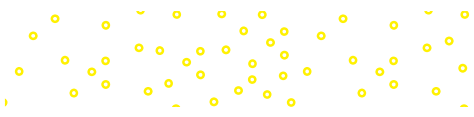
RAYMOND A. NOE is the Robert and Anne Hoyt Designated Professor of Management at The Ohio State University. He was previously a professor in the Department of Management at Michigan State University and the Industrial Relations Center of the Carlson School of Management, University of Minnesota. He received his BS in psychology from The Ohio State University and his MA and PhD in psychology from Michigan State University. Professor Noe conducts research and teaches undergraduate as well as MBA and PhD students in human resource management, managerial skills, quantitative methods, human resource information systems, training, employee development, performance management, and organizational behavior. He has published over 70 articles and invited chapters and authored, co-authored or edited seven books covering a variety of topics in training and development (training needs, trainee motivation, informal learning, autonomous learning, mentoring), human resource management (recruiting), and organizational behavior (psychological contracts, teams, work, and family). Professor Noe has received awards for his teaching and research excellence, including the Ernest J. McCormick Award for Distinguished Early Career Contribution from the Society for Industrial and Organizational Psychology. He is also a fellow of the Society of Industrial and Organizational Psychology and American Psychological Association.

JOHN R. HOLLENBECK holds the positions of University Distinguished Professor at Michigan State University and Eli Broad Professor of Management at the Eli Broad Graduate School of Business Administration. Dr. Hollenbeck received his PhD in Management from New York University in 1984. He served as the acting editor at *Organizational Behavior and Human Decision Processes* in 1995, the associate editor of *Decision Sciences* from 1999 to 2004, and the editor of *Personnel Psychology* from 1996 to 2002. He has published over 90 articles and book chapters on the topics of team decision making and work motivation. According to the Web of Science, this body of work has been cited over 6,000 times by other researchers. Dr. Hollenbeck has been awarded fellowship status in both the Academy of Management and the American Psychological Association, and was recognized with the Career Achievement Award by the HR Division of the Academy of Management (2011), the Distinguished Service Contributions Award (2014), and the Early Career Award by the Society of Industrial and Organizational Psychology (1992). At Michigan State, Dr. Hollenbeck has won several teaching awards including the Michigan State Distinguished Faculty Award, the Michigan State Teacher-Scholar Award, and the Broad MBA Most Outstanding Faculty Member.



BARRY GERHART is Professor of Management and Human Resources and the Bruce R. Ellig Distinguished Chair in Pay and Organizational Effectiveness, Wisconsin School of Business, University of Wisconsin–Madison. He has served as department chair at Cornell and Vanderbilt, as well as department chair, senior associate dean, and as interim Albert O. Nicholas Dean at Wisconsin. His research interests include compensation, human resource/human capital strategy, international human resources, and employee retention. Professor Gerhart received his BS in psychology from Bowling Green State University and his PhD in Industrial Relations from the University of Wisconsin–Madison. He has co-authored two books in the area of compensation. Professor Gerhart is a past recipient of the Heneman Career Achievement Award, the Thomas A. Mahoney Mentoring Award (for his work with doctoral students), the Scholarly Achievement Award, and (twice) the International Human Resource Management Scholarly Research Award, all from the Human Resources Division, Academy of Management. He has also received the Michael R. Losey Excellence in Human Resource Research Award, a career achievement award from the Society for Human Resource Management. Professor Gerhart has been elected as a Fellow of the Academy of Management, the American Psychological Association, and the Society for Industrial and Organizational Psychology.

PATRICK M. WRIGHT is Thomas C. Vandiver Bicentennial Chair and the Director of the Center for Executive Succession in the Darla Moore School of Business at the University of South Carolina. Prior to joining USC, he served on the faculties at Cornell University, Texas A&M University, and the University of Notre Dame. Professor Wright teaches, conducts research, and consults in the area of strategic human resource management (SHRM), particularly focusing on how firms use people as a source of competitive advantage and the changing nature of the chief HR officer (CHRO) role. He is the faculty leader for the Cornell ILR Executive Education/NAHR program, “The Chief HR Officer: Strategies for Success,” aimed at developing potential successors to the CHRO role. He served as the lead editor on the recently released book, *The Chief HR Officer: Defining the New Role of Human Resource Leaders*, published by Wiley. Professor Wright has published more than 60 research articles in journals as well as more than 20 chapters in books and edited volumes. He recently served as the editor at the *Journal of Management*, has co-edited a special issue of *Research in Personnel and Human Resources Management* titled “Strategic Human Resource Management in the 21st Century,” and guest edited a special issue of *Human Resource Management Review* titled “Research in Strategic HRM for the 21st Century.” He currently serves as a member on the Board of Directors for the Society for Human Resource Management and the National Academy of Human Resources. He is a former board member of HRPS, SHRM Foundation, and World at Work (formerly American Compensation Association). He has been named a Fellow in the National Academy of Human Resources and the Academy of Management, has won SHRM’s Michael Losey Award for HR Research and the AOM HR Division’s Herb Heneman Career Achievement Award, and from 2011 to 2018, he has been named by *HRM Magazine* as one of the 20 “Most Influential Thought Leaders in HR.”



PREFACE



Our intent is to provide students with the background to be successful HRM professionals, to manage human resources effectively, and to be knowledgeable consumers of HRM products. Managers must be able to identify effective HRM practices to purchase these services from a consultant, to work with the HRM department, or to design and implement them personally. *Human Resources Management: Gaining a Competitive Advantage*, 12th edition, emphasizes how a manager can more effectively manage human resources and highlights important issues in current HRM practice.

Human Resources Management: Gaining a Competitive Advantage represents a valuable approach to teaching human resource management for several reasons:

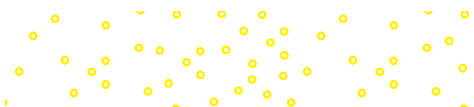
- The text draws from the diverse research, teaching, and consulting experiences of four authors who have taught human resource management to undergraduates, traditional day MBA students as a required and elective course, and more experienced managers and professional employees in weekend and evening MBA programs. The teamwork approach gives a depth and breadth to the coverage that is not found in other texts.
- Human resource management is viewed as critical to the success of a business. The text emphasizes how the HRM function, as well as the management of human resources, can help companies gain a competitive advantage.
- The book discusses current issues such as artificial intelligence and robotics, use of nontraditional employment relationships, big data, talent management, diversity, and the employee experience, all of which have a major impact on business and HRM practice.
- Strategic human resource management is introduced early in the book and integrated throughout.
- Examples of how new technologies are being used to improve the efficiency and effectiveness of HRM practices are provided throughout.
- We provide examples of how companies are evaluating HRM practices to determine their value.

Organization

Human Resource Management: Gaining a Competitive Advantage, 12th edition, includes an introductory chapter (Chapter 1) and five parts.

Chapter 1 provides a detailed discussion of the global, economic, sustainability, and technology challenges that influence companies' abilities to successfully meet the needs of shareholders, customers, employees, and other stakeholders. We discuss how the management of human resources can help companies meet the competitive challenges.

Part One includes a discussion of the environmental forces that companies face in attempting to capitalize on their human resources as a means to gain competitive advantage. The environmental forces include the strategic direction of the business, the legal environment, and the type of work performed and physical arrangement of the work.



A key focus of Chapter 2, on strategic human resource management, is to highlight the role that staffing, performance management, training and development, and compensation play in different types of business strategies.

A key focus of Chapter 3, on the legal environment, is to enhance managers' understanding of laws related to sexual harassment, affirmative action, and accommodations for disabled employees. The various types of discrimination and ways they have been interpreted by the courts are discussed.

Chapter 4, on analysis and design of work, emphasizes how work systems can improve company competitiveness by alleviating job stress and by improving employees' motivation and satisfaction with their jobs.

Part Two deals with the acquisition and preparation of human resources, including human resource planning and recruitment, selection, and training.

Chapter 5, on human resource planning and recruitment, illustrates the process of developing a human resource plan. Also, the strengths and weaknesses of staffing options such as outsourcing, use of contingent workers, and downsizing are discussed. Strategies for recruiting talented employees are emphasized.

Chapter 6, on selection and placement, emphasizes ways to minimize errors in employee selection and placement to improve the company's competitive position. Selection method standards such as validity and reliability are discussed in easily understandable terms without compromising the technical complexity of these issues. The chapter discusses selection methods such as interviews and various types of tests (including personality, honesty, and drug tests) and compares them on measures of validity, reliability, utility, and legality.

Chapter 7 discusses the components of effective training systems and the manager's role in determining employees' readiness for training, creating a positive learning environment, and ensuring that training is used on the job. The advantages and disadvantages of different training methods are described, such as e-learning, serious games, microlearning, virtual reality and augmented reality, and mobile training.

Part Three explores how companies can determine the value of employees and capitalize on their talents through retention and development strategies.

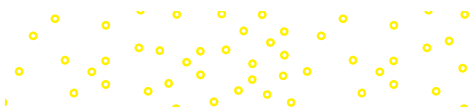
Chapter 8, on performance management, discusses the evolution of performance management systems to a more continuous process that encourages setting short and long term goals, frequent performance conversations between managers and their employees, and peer feedback. The chapter examines the strengths and weaknesses of performance management methods that use ratings, objectives, or behaviors.

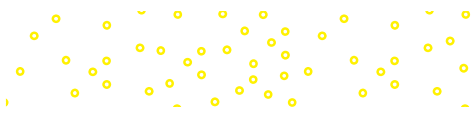
Chapter 9, on employee development, introduces the student to how assessment, job experiences, formal courses, and mentoring relationships are used to develop employees.

Chapter 10, on retention and separation, discusses how managers can maximize employee productivity and satisfaction to avoid absenteeism and turnover. The chapter emphasizes the use of employee surveys to monitor job and organizational characteristics that affect satisfaction and subsequently retention.

Part Four covers rewarding and compensating human resources, including designing pay structures (Chapter 11), recognizing individual contributions (Chapter 12), and providing benefits (Chapter 13).

Here we explore how managers should decide the pay rate for different jobs, given the company's compensation strategy and the worth of jobs. The advantages and disadvantages of merit pay, gainsharing, and skill-based pay are discussed. The benefits chapter highlights the different types of employer-provided benefits and discusses how benefit costs can be contained. International comparisons of compensation and benefit practices are provided.





Part Five covers special topics in human resource management, including labor-management relations, international HRM, and strategically managing the HRM function.

Chapter 14, on collective bargaining and labor relations, focuses on traditional issues in labor-management relations, such as union structure and membership, the organizing process, and contract negotiations; it also discusses new union agendas and less adversarial approaches to labor-management relations.

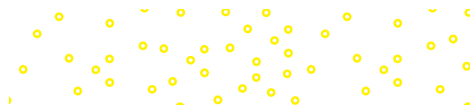
Chapter 15 discusses social and political changes, such as Brexit, on global human resource management. Selecting, preparing, and rewarding employees for foreign assignments is also discussed.

The text concludes with Chapter 16, which emphasizes how HRM practices should be aligned to help the company meet its business objectives. The chapter emphasizes that the HRM function needs to have a customer focus to be effective.

Features

The chapter openers, in-text boxes, and end-of-chapter materials provide questions that provide students the opportunity to discuss and apply HR concepts to a broad range of issues including strategic human resource management, HR in small businesses, helping companies achieve sustainability through environment, social, and governance practices, adopting and using technology, adapting to globalization, and ethics and integrity. This should make the HR classroom more interactive and increase students' understanding of the concepts and their application.

- **Enter the World of Business chapter-opening vignettes** provide relevant examples of real business problems or issues that provide background for the issues discussed in the chapter.
- **Video Conversations with Chief HR Officers (CHROs)**, created by the Center for Executive Succession at the Darla Moore School of Business, University of South Carolina, feature video conversations with CHROs from top organizations such as Accenture, Bank of America, Boeing, GE, HP, Merck, and others are tied in to pertinent chapters. In addition, the videos are featured in Connect, along with questions related to chapter content.
- **Evidence-Based HR sections** highlight an evidence-based approach to HR management and focuses on people, employees, and human capital.
- **Competing through Environmental, Social, and Governance Practices boxes** show how organizations can engage in HR practices to make a profit without sacrificing the resources of its employees, the community, or the environment.
- **Competing through Globalization boxes** focus on how companies use HR practices to improve their ability to compete in international markets and prepare employees for global assignments.
- **Competing through Technology boxes** highlight how organizations are using social networking, artificial intelligence, robotics, human resource information systems, cloud computing, dashboards, and other tools to enhance the efficiency and effectiveness of HR practices, employees, and the workplace.
- **Integrity in Action boxes** highlight the good (and bad) HR-related decisions made by company leaders and managers that either reinforce (or undermine) the importance of ethical behavior in the company.
- **A Look Back segments**, at the end of the chapter, encourage students to recall the chapter's opening vignettes and apply what they have just learned to questions about them.



- **Self-Assessment Exercises**, at the end of each chapter, provide a brief exercise for students to complete and evaluate their own skills related to topics covered in the chapter. In addition, the self-assessments are featured in Connect.
- **Managing People cases** look at incidents and real companies and encourage students to critically evaluate each problem and apply the chapter contents.
- **Exercising Strategy cases** pose strategic questions based on real-life practices.
- **HR in Small Business cases** highlight HR issues and practices in entrepreneurial, family-owned, and emerging businesses. Questions provoke students to think critically about “people practices” in small businesses.

New Features and Content Changes in This Edition

All examples, figures, and statistics have been updated to incorporate the most recently published human resource data. Each chapter was revised to include current examples, research results, and relevant topical coverage. All of the Exercising Strategy, Managing People, and HR in Small Business end-of-chapter cases are either new or updated. Following are the highlights for each chapter:

Chapter 1

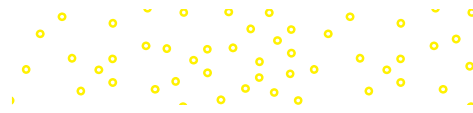
New Opening Vignette: Describes how HR practices have evolved at IBM as the company increasingly emphasizes cloud-based services, artificial intelligence (AI) based products, and blockchaining (a security system for bitcoin and cryptocurrencies).

New Boxes:

- Practices of Microsoft, Apple, Gap, and Mars contribute to sustainability by delivering positive results for local and global communities.
- Sanfoli’s efforts to advance women into top management positions and the metrics they are using to track their progress.
- Under Armour’s change of employee reimbursement practices to avoid contributing to a work culture where sexual harassment is encouraged or tolerated.
- Cisco providing jobs for persons with disabilities around the world.
- Human and robots working together at Dynamic Group.

New Text Material:

- Advantages of having an HR professional and an HR department rather than relying on a manager.
- Examples of how the top HR professionals interact with the CEO and help align HR practices with business strategy and contribute to business goals: Honeywell and Lawson.
- How Sonic Automotive uses big data to help determine which training programs have a positive ROI and are helping to meet the company’s strategic goals.
- Updated median salaries for HR professionals.
- Competing through Sustainability has been renamed Competing through Environmental, Social, and Governance Practices to reflect business emphasis on sustainability through “the triple bottom line”—the simultaneous delivery of positive results for people, planet and profit.
- Discussion of environmental, social, and governance (ESG) practices with an example from Goldman Sachs.



- Economy data, labor force statistics, occupational and job growth projections, skill shortages, working at home, immigration, world economy and emerging markets.
- How HR practices at Hilton Worldwide help the company deal with change by contributing to agility example.
- Employee experience and its relationship to employee engagement (SunTrust example).
- Employee value proposition (EVP) (Dell example).
- Mastercard's talent management practices.
- Automattic's use of remote work.
- Ingersoll Rand Plc and Ultra Machining Company efforts to retain older employees by offering them shorter work hours.
- Detailed discussion of characteristics of Generation Z.
- How EY's human resource practices meet Millennials and Generation Z employees' workplace needs.
- Sylvan Gardens Landscape had to cancel contract because it could not hire enough workers due to the low level of unemployment and higher demand for visas under the H-2B season worker visa program.
- The increased awareness of sexual assault and harassment in the workplace due to the #MeToo movement.
- Data security and protection is now required for company's who handle the data of an individual in the European Union due to the General Data Protection Regulation which took effect in May 2018.
- How tariffs are affecting RelianceCM's business
- Artificial intelligence and robots.
- Potential ways that automation will affect work activities and jobs.
- Use of robots at Just Born, Beehex, Mercedes-Benz, and in masonry work.

Chapter 2

New Opening Vignette: Explores why one of the world's most admired and successful companies eventually failed.

New Boxes:

- The complexities and potential of corporate/government espionage.
- The mistakes in analyzing big data and how this impacted firms' plans for the "gig" economy.
- Technology is responsible for Honda's shift from producing everything in-house to using suppliers.
- The importance of CEOs hiring and building a strong team of employees.

New Text Material:

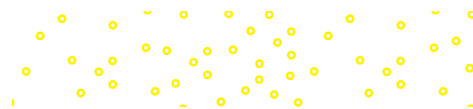
- New sections on talent, culture, and aligning strategy, talent, and culture with a figure to show that these are all aligned around customer value.

Chapter 3

New Opening Vignette: Uses Harvard as a platform to discuss a number of issues regarding discrimination and equal employment opportunity law.

New Boxes:

- Nike's history of a negative culture and its commitment to eliminating this negativity.
- Some victims of sexual harassment who file a complaint experience retaliation from their firms.



- #MeToo is a global and widespread movement.
- Toyota uses exoskeletons to lower risk of worker injury.

New Text Material:

- Updated data on age discrimination complaints.
- Updated data on religious discrimination complaints.
- Updated data on sexual harassment complaints.
- Updated data on disability complaints.
- New section on Gender Equity in pay and representation.
- Updated data on injuries, illnesses, and fatalities in the workplace.

Chapter 4

New Opening Vignette: Analyzes the role of robots in the workforce, illustrating how advanced technology changes the nature of jobs more than the number of jobs in the economy.

New Boxes:

- China's 2025 initiative aimed at becoming the world's #1 producer of industrial robots.
- The re-emergence of a deadly chemical to work production processes that everyone believed was totally eliminated.
- The reasons behind the increased role of interpersonal skills in the job requirements list for software programmers.
- The introduction of unsafe work practices by foreign companies into automobile parts factories in the southern United States.
- The impact of extreme clean air standards on worker productivity in a traditional manufacturing environment.

New Text Material:

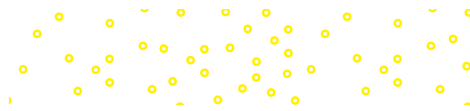
- How Toyota's 2017 strategic decision to stop producing sedans, like the Camry and Avalon, in favor of SUV's and pickups affected HRM practices related to how work needed to be designed.
- Why Apple's decision to not manufacture a single phone in the United States makes sense in terms of profits and job creation.
- How Smart Helmets now allow specialists working remotely to see and hear the physical machinery they need to manipulate using local workers hands.
- How and why Pfizer reorganized its organizational structure in order to promote greater innovation.
- How and why the job creation surge in 2017–2018 made people rethink the notion that we are moving to a “gig” economy.

Chapter 5

New Opening Vignette: Examines how more restrictive immigration policies regarding immigrants and refugees are creating labor shortages in the areas of agriculture and meat processing.

New Boxes:

- Robotic technology still relies very heavily on human intervention using call centers as an example.
- Limits on H1-B visas in the United States are creating competitive disadvantages compared with Canada in the field of high tech.



- The Trade Adjustment Assistance (TAA) program provides money for training to U.S. workers when their jobs move overseas.
- The increased aggressiveness of workplace raids conducted by Immigration and Customs Enforcement (ICE) office is breaking up families and local communities.
- Recent evidence shows that immigration results in a loss of U.S. jobs in the short term, but in the long term, results in large job gains for the country.

New Text Material:

- Qualcomm used leading indicators and forecasting to avoid a labor surplus that would have been caused by failures at Samsung—one of their primary customers.
- Improvements in technology reduce the need for workers when manufacturing jobs that moved overseas move back to the United States.
- Changes in American eating habits related to restaurants is causing a shortage of labor for cooks, where turnover rates have soared to 100% in some regions.
- Low cost, online degree programs in the field of law have created a vast over-supply of unemployable lawyers.
- Deloitte is addressing a potential brain drain caused by the imminent retirement of a large cadre of workers.

Chapter 6

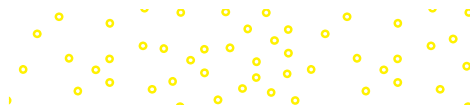
New Opening Vignette: Discusses how Uber’s business model relies on relaxed personnel vetting processes relative to more traditional taxi companies, and how scandals due to Uber’s failure to conduct routine background checks now threatens that business model.

New Boxes:

- How and why Saudi Arabia is changing its staffing model for business within the kingdom and how these business practices are challenging cultural norms.
- The role of artificial intelligence applications in changing how organizations make team staffing decisions to promote team chemistry.
- An examination of controversies regarding Harvard’s alleged discrimination against Asian Americans and the role of “personality” as a tool to discriminate.
- How some organizations in the hospitality industry are at the forefront of getting former opioid addicts back into the labor pool.
- How Github used blind evaluations of written code to reduce discrimination against women who were applying for jobs in the software industry.

New Text Material:

- How the current labor shortage is reducing organizations’ ability to rigorously screen potential applicants, and the sometime disastrous results of this.
- How organizations in the tech industry use well-funded public competitions to find and recruit the most talent programmers.
- How recent legal challenges against employers such as Texas Roadhouse and Abercrombie and Fitch make reference to “customer preference” a losing legal argument.
- Why the different business models of Amazon, Google, Intel, and Github require workers with very different skills and why they rarely compete for the same people when staffing.
- How employers can prevent illegal discrimination against pregnant employees, using UPS’s recent experience as a salient example.
- How the legalization of marijuana in many states is changing the landscape related to drug testing in different industries.



Chapter 7

New Opening Vignette: Highlights how AT&T is staying competitive by using training to develop employees skills for their current job and future career.

New Boxes:

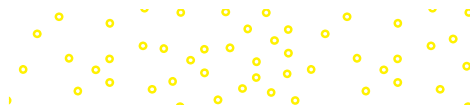
- Tyson Foods offers training opportunities for immigrant employees to help them both in the in the workplace and in their nonwork lives.
- Campari Group’s language training program.
- Community and company partnerships develop skills using apprenticeships.
- Aristocrat Technologies customizes training using artificial intelligence.
- Edwards Jones’ evaluation of sales training program.

New Text Material:

- Moneris helps employees obtain the skills and knowledge needed to meet customers payment needs by accessing the company’s learning and development portal.
- McDonald’s needs assessment to examine the relevance of current training topics and the effectiveness of training methods.
- Methods that H&H Castings and KLA-Tencor used to conduct needs assessment.
- Microlearning or training delivered in small pieces or chunks designed to engage trainees, motivate them to learn, and help facilitate retention.
- Example of microlearning at Nationwide Mutual Insurance.
- Avande Synaptics’ use of a searchable YouTube channel to support training.
- How GE Power uses an app to support knowledge sharing.
- How Gales Residential and CVS get learners actively involved and help to ensure transfer of training.
- Data on use of different training methods.
- Farmer’s use of videos in training.
- Aggreko’s use of an app to deliver training materials and videos.
- On-the-job training at Nomad Communications Solutions.
- Farmers Insurance’s use of virtual reality to train claims adjusters.
- Augmented reality (AR).
- Argo’s use of AR.
- Use of games in training at Deloitte and University of North Carolina.
- Use of MOOC at World Bank.
- Blended learning at Anthem Inc.
- Learning management systems at Ferguson Enterprises and Gukenheimer.
- Verizon’s use of training outcomes to evaluate its Sales Leadership Academy (SLA).
- Verizon’s ROI for customer service training.
- Employee repatriation efforts at Monsanto Company, Asurion, and L’Oreal.
- Unconscious bias and unconscious bias training programs.
- The actions Rockwell Automation, National Life Group, and Blackstone Group are taking to manage diversity.
- Onboarding at Forum Credit Union and Bazaarvoice.

Chapter 8

New Opening Vignette: Discusses Patagonia’s transition from traditional performance management system to a continuous performance management system emphasizing frequent performance conversations, annual goals and quarterly stretch goals, and encouraging employees to seek feedback.

**New Boxes:**

- How Bluejeans, a global company with employees working in virtual teams, uses a 360-degree feedback process for performance management.
- How Wells Fargo's overreliance on managing performance using rewards linked to goals cheated its customers and damaged the company's reputation.
- Feedback model that PennStation East Coast Subs gives managers to help them provide employees with timely and actionable feedback.
- IBM's, Goldman Sachs', and Uber's use of apps in the performance management process.
- How Kronos's upward feedback system influenced employees intentions to stay with the company.

New Text Material:

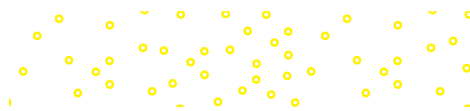
- Differences in performance measures used for exempt compared to non-exempt employees.
- Google's performance management system includes objectives and key results (OKRs) for the entire company, as well as at the team, managerial, and employee levels.
- The continuous performance management process and how it compares to the traditional performance management process.
- Reasons why companies are adopting a continuous performance management process.
- How Facebook and Procter & Gamble adopted some of the features of continuous performance management systems into their current appraisal systems.
- Purposes of performance management: strategic, administrative, developmental, communication, organizational maintenance, and documentation.
- How GE's new performance management system supports the company's strategic direction.
- Additional implications of fairness for performance management process.
- Analysis Group's use of self-appraisals in performance management.
- Hospitals' use of monitoring of behaviors such as doctors and nurses hand-washing to reduce infections and improve patient care.
- Inaccuracy of systems monitoring work hours leads to lawsuits against American Airlines and Krogers.
- Research results showing how calibration meetings affected changes in performance ratings and employees and managers reactions to them.
- One way to avoid overly personalizing employees poor performance is to focus on the situation (where the problem behavior occurred), specific behaviors that occurred in the situation, and the results of the behavior for peers, customers, and if appropriate, for themselves.

Chapter 9

New Opening Vignette: Shows how Vi, a company that operates residential communities for older adults, invests in employee development to attract and retain talented employees who in turn provide high-quality services to residents.

New Boxes:

- Verizon Wireless, Discover Financial Services, Taco Bell, and Disney pay the costs of formal education employees need to obtain a job or advance in their careers.
- General Motors' and Cardinal Health's use of software to match mentors and protégés in contrast with PayPal's face-to-face approach.



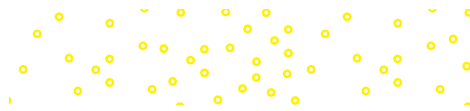
- West Monroe Partners help employees develop in ways that demonstrate social responsibility to its stakeholders.
- How Mondelez International use of challenging international job experiences for employee development also contribute to sustainability through helping local communities.

New Text Material:

- Kate Cole’s career path from waitress to group president exemplifies a protean career.
- Miami Children’s Health System’s use of projects to develop and retain Millennial employees.
- CarMax provides employees with a Career Conversation Guide, including competency self-assessment that helps them take ownership of their development.
- IBM uses AI to provide employees with personalized recommendations about job openings based on data from their résumé, assessments, and the type of work that excites them.
- GE uses an app to increase the effectiveness of development conversations between employees and their managers.
- Procter & Gamble’s promotion from within policy is supported by development plans completed by every employee.
- 3M’s and Penn Station EastCoast Subs’ career management and development systems.
- Telus International’s development programs for employees at different career stages.
- NBA leadership development programs.
- TELUS employees attend an MBA program customized to the company and industry leadership and strategy issues.
- Guckenheimer’s use of DiSC for managers to understand their communications style.
- CHG Healthcare’s and Lupin’s use of 360-degree feedback.
- H&M’s and Haskell’s use of job rotation for employee development.
- Use of promotions at PepsiCo.
- Sabbaticals at Morris Financial Concepts and Edelman Financial Services.
- General Mills’ and Prudential’s support for employees to take volunteer assignment in local communities and abroad.
- Mentoring programs at Cisco Systems and Michigan Medical.
- U.S. Government Accountability Office’s use of orientation and mentor training.
- Benefits of UnitedHealthcare’s reverse mentoring program for Millennial mentor and more senior manager protégé.
- Role of coaches at PwC Coaching as part of managers role at Procter & Gamble.
- Coaching improves employees skills and performance especially when an internal coach is used (manager who has been trained in coaching).
- Data on women in executive positions.
- How companies are engaging men to consider their role in creating a workplace that allows both men and women to contribute and maximize their potential.
- Use the 9-box grid but actively manage employees to help them improve.
- Difficulties in following the succession planning process and how companies are changing their process to address them.
- Succession planning at ITU AbsorbTech.

Chapter 10

New Opening Vignette: Discusses how “pass the trash” policies related to sexual harassment claims at Google led 20,000 employees to stage a mass protest and what this means for HR going forward when it comes to handling such complaints.

**New Boxes:**

- The concept of “flexicurity” and the challenges confronting France as it tries to rewrite its labor code to be more business-friendly.
- How the culture at Uber, as operationalized via its sour guiding values, needed to be over-hauled due to numerous scandals that were enabled by those values.
- How new technology related to “predictive scheduling” is being used by Walmart to limit last-minute changes to employee’s work schedules.
- 2018 was the first year that large corporations had to report the ratio of their CEO’s pay to the median worker pay in a public format, and we describe what this revealed and how people reacted.
- New evidence from rigorous experimental research suggests that past evidence regarding the positive effect of employee wellness programs is inflated.

New Text Material:

- How, rather than being the champion for employees, HR was often the villain when it came to handling sexual harassment charges at some large companies.
- How Microsoft’s recent experience with employees trying to establish a collective bargaining unit informs the rules related to what constitutes “wrongful discharge.”
- How recent legislation is challenging the use of “non-compete” contracts and what this means for employee retention programs.
- New rules for Employee Assistance Programs when it comes to testing for and treating people with certain legal prescription drugs.
- How and why organizations like IBM are moving away from programs that allow employees to work off site and, instead, are placing a renewed emphasis on co-location.

Chapter 11

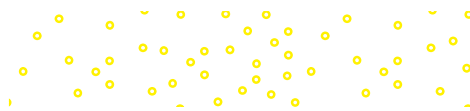
New Opening Vignette: Looks at how companies such as Walmart, Amazon, Starbucks, and CVS are increasing pay levels and offering new benefits such as paid family leave to help them compete for workers in the face of low unemployment rates (and correspondingly high rates of employee turnover) to help them attract and retain talent to improve their customer experience and business strategy execution. It also talks about how some companies are automating to reduce their dependence on employees.

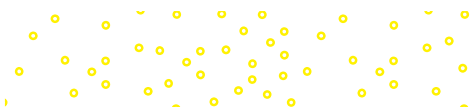
New Boxes:

- How automobile production has shifted to low labor cost countries over time.
- How Tesla has had to reduce labor costs to control the costs of its cars.
- How Amazon is using automation and technology to reduce hiring of workers.
- Why an increasing number of companies do not ask applicants about their salary histories.
- How some companies are helping their lower-income employees deal with financial “precarity” (income insecurity), including helping these employees be less vulnerable to high interest short-term loans.
- Why companies like Foxconn (which assembles Apple products like the iPhone) are looking beyond China for other production locations and how they balance labor costs, production costs, and the need to be close to customers in deciding where to locate.

New Text Material:

- New examples of how much different companies (including airlines and professional baseball teams) spend on labor costs.



- 
- Updated examples of pay differences, including by job type, across countries.
 - Updated data on international worker productivity differences.
 - Updated data on executive pay and how it compares to employee pay.
 - Update on change in salary test under the Fair Labor Standards Act.
 - Regulatory challenges for employers in using workers in the sharing and gig economy.
 - The search for lower fees in the wealth management industry and how that affects investment advisor compensation.

Chapter 12

New Opening Vignette: Examines how U.S. companies are balancing the goal of avoiding increases to fixed labor costs (salaries and benefits) by using bonuses against the effectiveness of salaries and benefits in attracting and retaining workers in the current low unemployment rate environment.

New Boxes:

- How financial services firms are increasingly relying on social media and automation to compete.
- How Japanese companies are increasingly competing head to head for workers by paying for performance (rather than seniority, the tradition).
- How Royal Dutch Shell is using pay for performance incentives to better achieve carbon emissions control targets.
- How Novartis is modifying its pay for performance strategy in an effort to reward employees not only for achieving financial goals, but holding them responsible for how such goals are achieved.

New Text Material:

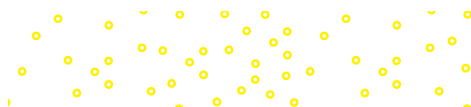
- How pay for performance incentives “went wrong” at Wells Fargo and Volkswagen.
- A new example of a balanced scorecard (from Tenet Healthcare).
- Streamlined exhibit on the key features of different pay for performance programs.
- New discussion on the importance of not confusing pay for performance (which takes many forms and is pervasive) with individual incentives (which are rare).
- How pay for performance “down under” at Australia and New Zealand Banking Group also “went wrong” and how it is working to fix it.

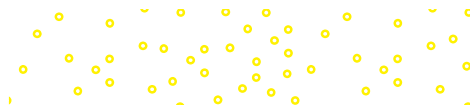
Chapter 13

New Opening Vignette: Discusses why balancing work and family in high tech, finance, and consulting is becoming increasingly necessary to attract and retain top talent and how Millennials “speaking up” about their views on this matter have contributed to such changes.

New Boxes:

- Why employers like Fiat Chrysler are providing health care, sometimes for free, directly to their employees.
- How companies are forming alliances and using technology (including big data and telemedicine) to control costs and improve quality of health care for their employees.
- How the worker experience depends on whether they are employees or contractors (gig workers).
- How employers are improving expatriate access to health care, including through telemedicine and apps, and how this helps deal with different health care systems and language barriers.





New Text Material:

- Updates on benefits costs and benefits coverage generally.
- Updates on how companies differentiate themselves by using unique benefits.
- Update on the number and percentage of people without health insurance in the United States.
- Update on how hours worked continues to be higher in the United States than in other advanced economies.
- New return on investment data for employee wellness programs.
- How companies are working to control health care costs by reducing emergency room visits.
- How some companies have evaluated the return on investment to new paid family leave policies.
- New data on which benefits communication methods employers find to be most effective.
- Update on the employer mandate under the Affordable Care Act.
- How some employers are controlling health care costs by passing more costs on to workers while others are using big data or improving access to more efficient care delivery.

Chapter 14

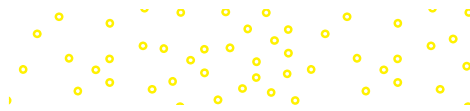
New Opening Vignette: Describes how the airline, JetBlue, although nonunion for two decades, has recently had its pilots unionize and may be facing similar unionization by other employee groups. Additionally, considers the implications of this new unionization for costs and operating income.

New Boxes:

- Update on the Alliance for Bangladesh Worker Safety in the garment industry.
- Update on nontraditional representation for nonunion employees at Uber in New York City, including a new minimum hourly wage.
- How employees use social media apps for union organizing efforts at Walmart and other companies (and how Walmart has now responded with its own app).
- President Macron's attempt to bring labor reform to France and the unique challenges he faces in doing so.

New Text Material:

- Updated data on unionization levels in the United States and the largest labor unions.
- Updates on unfair labor practice rates and related indicators of employer resistance to union organizing efforts.
- New exhibit on employer actions to support versus resist union organization efforts.
- New section on legal protection for concerted activity by workers.
- Update on how the new presidential administration will affect NLRB rulings that influence success of union organizing efforts.
- Update of exhibit on when teams or employee participation may be illegal.
- Update on work stoppages (e.g., strikes) and the number of workers involved.
- Updates on union–nonunion differences in wages and benefits.
- Challenges faced by foreign companies operating in the United States.
- Updates on international differences in union membership and coverage.
- Comparison of labor–management relations at Verizon, Kaiser Permanente, and Boeing.



Chapter 15

New Opening Vignette: Discusses how firms are hesitant to locate operations in China and are now looking to diversify the geographic locations within their supply chains.

New Boxes:

- How Amazon’s international expansion, particularly in China, creates ethical issues.
- How the fastest growing and highest paying jobs in the future will require “Hybrid Skills.”
- A scandal in South Korea highlights the complexities about the intersection of entertainment, business, and law enforcement.
- How companies are dealing with the obstacles that stand in the way of maximizing the use of green energy.

New Text Material:

- Updated discussion of the European Union/Brexit and the U.S.–Mexico–Canada Free Trade Agreement as developments impact global business.
- Expanded discussion about the importance or unimportance of culture in the Evidence-Based HR box.
- Updated table of *Fortune*’s global largest companies.
- Updated hourly compensation costs across countries.
- Updated information on world’s costliest cities.
- New example of an expatriate balance sheet from Abbvie.

Chapter 16

New Opening Vignette: Discusses Wells Fargo’s troubles after the scandal of creating fake customer accounts and the departure of two CEOs in two years.

New Boxes:

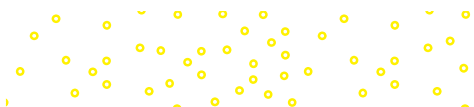
- New technologies are changing the way firms hire and conduct interviews.
- How IKEA’s presence in India require HR to acquire, train, and motivate their employees.
- The ways in which an effective CHRO would have been helpful in managing the behavior of CBS’s former CEO, Leslie Moonves.
- How Environmental, Social, and Governance Practices is becoming a key focus of HR officers.

New Text Material:

- Discussion about the use of AI and bots in HR.
- Discussion of how Hershey has created a predictive analytics program to predict potential turnover.

Acknowledgments

As this book enters its 12th edition, it is important to acknowledge those who started it all. The first edition of this book would not have been possible if not for the entrepreneurial spirit of two individuals. Bill Schoof, president of Austen Press, gave us the resources and had the confidence that four unproven textbook writers could provide a new perspective for teaching human resource management. John Weimiester, our editor for many of editions, worked diligently to get the author team to consider new features to incorporate into the book to keep it interesting and help students learn about HRM. He supported us all along the journey. The success and longevity of textbooks goes far beyond the skills of



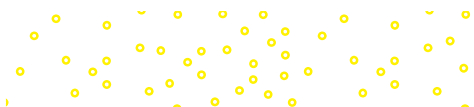
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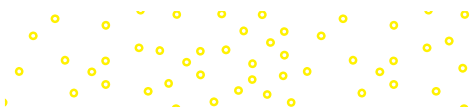


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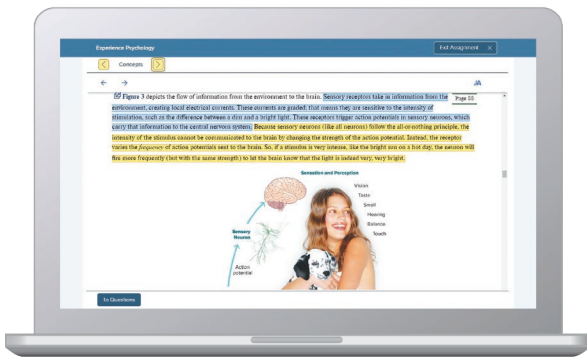
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BRIEF CONTENTS



- 1 Human Resource Management: Gaining a Competitive Advantage 2

PART 1 **The Human Resource Environment 72**

- 2 Strategic Human Resource Management 72
- 3 The Legal Environment: Equal Employment Opportunity and Safety 110
- 4 The Analysis and Design of Work 156

PART 2 **Acquisition and Preparation of Human Resources 196**

- 5 Human Resource Planning and Recruitment 196
- 6 Selection and Placement 234
- 7 Training 276

PART 3 **Assessment and Development of Human Resources 332**

- 8 Performance Management 332
- 9 Employee Development 394
- 10 Employee Separation and Retention 438

PART 4 **Compensation of Human Resources 478**

- 11 Pay Structure Decisions 478
- 12 Recognizing Employee Contributions with Pay 524
- 13 Employee Benefits 566

PART 5 **Special Topics in Human Resource Management 616**

- 14 Collective Bargaining and Labor Relations 616
- 15 Managing Human Resources Globally 674
- 16 Strategically Managing the HRM Function 710

Glossary 750

Name and Company Index 761

Subject Index 770

CONTENTS



1 Human Resource Management: Gaining a Competitive Advantage 2

>> Enter the World of Business: The Evolution of HRM Practices at IBM 3

Introduction 4

What Responsibilities and Roles Do HR Departments Perform? 5

Strategic Role of the HRM Function 7

Demonstrating the Strategic Value of HRM: HR Analytics and Evidence-Based HR 11

The HRM Profession: Positions and Jobs 12

Education and Experience 13

Competencies and Behaviors 13

Competitive Challenges Influencing Human Resource Management 16

Competing through Environmental, Social, and Governance (ESG) Practices 16

Competing through Environmental, Social, and Governance Practices

Socially Responsible Programs Boost the Returns to All Stakeholders 30

EVIDENCE-BASED HR 41

Integrity in Action

Under Armour Strives to Avoid a #MeToo Moment 46

Competing through Globalization 46

Competing through Technology 48

Competing through Globalization

Cisco Provides Jobs for Persons with Disabilities around the World 49

Competing through Technology

Humans and Robots Can Make a Great Team 52

Meeting Competitive Challenges through HRM Practices 55

Managing the Human Resource Environment 57

Acquiring and Preparing Human Resources 57

Assessment and Development of Human Resources 57

Compensating Human Resources 57

Special Issues 57

Organization of This Book 58

>> A Look Back 58

Summary 59

Key Terms 59

Discussion Questions 60

Self-Assessment Exercise 60

Exercising Strategy 61

Managing People: Zappos Faces Competitive Challenges 62

HR in Small Business 63

Notes 64

PART 1 The Human Resource Environment 72

2 Strategic Human Resource Management 72

>> Enter The World of Business: GE: The Fall of an Iconic Company 73

Introduction 73

What Is a Business Model? 74

Gm's Attempt to Survive 75

What Is Strategic Management? 76

Components of the Strategic Management Process 77

Linkage between HRM and the Strategic Management Process 77

Role of HRM in Strategy Formulation 79

Strategy Formulation 81

Competing through Globalization

The Potential for Corporate/Government Espionage? 83

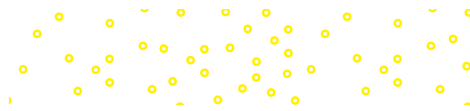
Integrity in Action

Coming Clean on the Hype Regarding the "Gig" Economy 85

Strategy Implementation 86

Organizational Culture 87

Talent 88



Competing through Technology

Technology Forces Honda to “Buy” Capabilities 89

HRM Practices 91

Strategic Types 95

HRM Needs in Strategic Types 95

EVIDENCE-BASED HR

Commitment versus Control or Commitment Plus Control? 96

Directional Strategies 97

Competing through Environmental, Social, and Governance Practices

CEOs Focus on Culture and Talent 100

Strategy Evaluation and Control 102

The Role of Human Resources in Providing Strategic Competitive Advantage 102

Emergent Strategies 102

Enhancing Firm Competitiveness 103

>> A Look Back 103

Summary 104

Key Terms 104

Discussion Questions 105

Self-Assessment Exercise 105

Exercising Strategy 105

Managing People: How Should Dell Respond to the HP Challenge? 106

HR in Small Business 106

Notes 107

3 The Legal Environment: Equal Employment Opportunity and Safety 110

>> Enter the World of Business: Does Harvard Discriminate in Undergraduate Admissions? 111

Introduction 111

The Legal System in the United States 112

Legislative Branch 112

Executive Branch 112

Judicial Branch 113

Equal Employment Opportunity 114

Constitutional Amendments 114

Congressional Legislation 114

Competing through Environmental, Social, and Governance Practices

A Cultural Challenge at Nike 117

Executive Orders 121

Enforcement of Equal Employment Opportunity 121

Equal Employment Opportunity Commission (EEOC) 122

Office of Federal Contract Compliance Programs (OFCCP) 123

Types of Discrimination 124

Disparate Treatment 124

EVIDENCE-BASED HR

A Large Discrimination Problem 128

Disparate Impact 128

Pattern and Practice 132

Reasonable Accommodation 132

EVIDENCE-BASED HR 135

Retaliation for Participation and Opposition 136

Integrity in Action

Retaliation as an Indicator of Culture 137

Current Issues Regarding Diversity and Equal Employment Opportunity 137

Sexual Harassment 137

Affirmative Action and Reverse Discrimination 140

Competing through Globalization

#MeToo Goes Global 141

Outcomes of the Americans with Disabilities Act 142

Gender Equity 142

LGBT Issues 144

Employee Safety 145

The Occupational Safety and Health Act (OSHA) 145

Competing through Technology

Iron Man in the Workplace 147

Safety Awareness Programs 148

>> A Look Back 151

Summary 151

Key Terms 151

Discussion Questions 151

Self-Assessment Exercise 152

Exercising Strategy 152

Managing People: Uber Life after Kalanick? 153

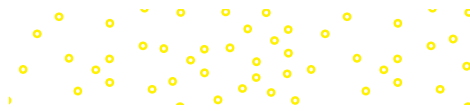
HR in Small Business 153

Notes 154

4 The Analysis and Design of Work 156

>> Enter the World of Business: The Workerless Economy: The Future That Never Arrives 157

Introduction 158



Competing through Environmental, Social, and Governance Practices*Creating Jobs and Injuries in the American South* 160**Work-Flow Analysis and Organization Structure** 161

Work-Flow Analysis 161

Competing through Globalization*Made in China 2025* 166

Organization Structure 168

Job Analysis 175

The Importance of Job Analysis for HR Specialists 175

The Importance of Job Analysis to Line Managers 176

Job Analysis Information 177

Competing through Technology*Not Wanted: Lone Genius Nerd* 179

Job Analysis Methods 181

Dynamic Elements of Job Analysis 183

Job Design 184

Mechanistic Approach 185

Integrity in Action*Toxic Killer Comes Back from the Dead* 186

Motivational Approach 187

Biological Approach 187

EVIDENCE-BASED HR 188

Perceptual–Motor Approach 189

>> A Look Back 190

Summary 191

Key Terms 191

Discussion Questions 191

Self-Assessment Exercise 191

Exercising Strategy 192

Managing People: New Organizational Structures: Teaming with Teams 192**HR in Small Business** 193

Notes 194

**PART 2
Acquisition and Preparation of
Human Resources** 196**5 Human Resource Planning and
Recruitment** 196**>> Enter the World of Business: Labor Force Drop
Outs: Not Employed and Yet—Not Unemployed** 197**Introduction** 198**The Human Resource Planning Process** 199

Forecasting 199

Goal Setting and Strategic Planning 203

Competing through Technology*Automation: Effects on the Quantity and Quality of Jobs* 206**Competing through Globalization***Picking Winners and Losers in the Trade War* 211**Integrity in Action***Local Authorities Defy Federal Changes in Enforcement* 214**EVIDENCE-BASED HR** 216

Program Implementation and Evaluation 217

The Special Case of Affirmative Action Planning 218

The Human Resource Recruitment Process 219

Personnel Policies 219

Recruitment Sources 222

Competing through Environmental, Social, and Governance Practices*Economic Development: Tales of Regret, Renegotiation, and Rejection* 225

Recruiters 227

>> A Look Back 228

Summary 229

Key Terms 229

Discussion Questions 229

Self-Assessment Exercise 229

Exercising Strategy 230

Managing People: Biting the Hand That Feeds You? 230**HR in Small Business** 231

Notes 232

6 Selection and Placement 234**>> Enter the World of Business: When Strangers
Meet in a World with No Background Checks** 235

Introduction 236

Selection Method Standards 237

Reliability 237

Validity 241

Competing through Technology*One Part Personality plus One Part AI: The Formula for Team Chemistry* 245

Generalizability 246

Utility 246

Legality 248

Competing through Environmental, Social, and Governance Practices*According to Harvard: “Asian-Americans Have Bad Personalities”* 252**Types of Selection Methods 254**

Interviews 254

References, Application Blanks, and Background Checks 257

Physical Ability Tests 258

Cognitive Ability Tests 259

Personality Inventories 260

Competing through Globalization*Phantom Hires Haunt Saudi Change Efforts* 261

Work Samples 263

EVIDENCE-BASED HR 264

Honesty Tests and Drug Tests 265

Integrity in Action*Serving Up Soup, Rehabilitation, and Compassion* 266**>> A Look Back 267**

Summary 268

Key Terms 268

Discussion Questions 268

Self-Assessment Exercise 268

Exercising Strategy 270

Managing People: Policing Hiring Practices in the Field of Law Enforcement 270**HR in Small Business** 271

Notes 272

7 Training 276**>> Enter the World of Business: AT&T: Staying Competitive by Helping Employees Update Their Skills and Careers 277**

Introduction 278

Training: Its Role in Continuous Learning and Competitive Advantage 279**Designing Effective Formal Training Activities** 281

Needs Assessment 283

Integrity in Action*At Tyson Foods Learning Goes beyond Job Responsibilities* 286

Ensuring Employees' Readiness for Training 289

Creating a Learning Environment 289

Ensuring Transfer of Training 292

Selecting Training Methods 295

Competing through Globalization*Campari Group's Spirited Language Training* 296**Competing through Environmental, Social, and Governance Practices***Community and Company Partnerships Develop Skills and Provide Jobs* 300**Competing through Technology***Artificial Intelligence Helps Customize Training to the Learner* 306

Advice for Selecting a Training Method 309

Evaluating Training Programs 310**EVIDENCE-BASED HR 312****Special Training Issues 313**

Cross-Cultural Preparation 314

Managing Workforce Diversity and Inclusion 316

Onboarding or Socialization 319

>> A Look Back 322

Summary 323

Key Terms 323

Discussion Questions 323

Self-Assessment Exercise 324

Exercising Strategy 325

Managing People: Learning through Gaming at GameStop 325**HR in Small Business** 326

Notes 327

**PART 3
Assessment and Development of
Human Resources 332****8 Performance Management 332****>> Enter the World of Business: Moving Toward Continuous Performance Management at Patagonia 333**

Introduction 334

The Performance Management Process 335**Purposes of Performance Management** 340**Performance Measures Criteria** 341

Strategic Congruence 341

Validity 343

Reliability 343

Acceptability 344

Specificity 345

Approaches to Measuring Performance 346

The Comparative Approach 346

The Attribute Approach 350

The Behavioral Approach 353

The Results Approach 357

Competing through Environmental, Social, and Governance Practices

Wells Fargo: Boosting Sales Damages Stakeholders 360

The Quality Approach 362

Choosing a Source for Performance Information 367

Managers 367

Peers 368

Direct Reports 368

EVIDENCE-BASED HR 369

Self 369

Customers 370

Competing through Globalization

Global Work Teams Require Going beyond Managerial Appraisals 371

Use of Technology in Performance Management 371

Competing through Technology

Want to Give Feedback? There's an App for That 372

Reducing Rater Errors, Politics, and Increasing Reliability and Validity of Ratings 374

Performance Feedback 376

The Manager's Role in an Effective Performance Feedback Process 376

Integrity in Action

At Penn Station East Coast Subs, STEAKS Are Not Just for Eating 379

What Managers Can Do to Diagnose Performance Problems and Manage Employees' Performance 380

Diagnosing the Causes of Poor Performance 380

Actions for Managing Employees' Performance 380

Developing and Implementing a System That Follows Legal Guidelines 383

>> A Look Back 384

Summary 385

Key Terms 385

Discussion Questions 385

Self-Assessment Exercise 386

Exercising Strategy 386

Managing People: Helping to Encourage Frequent and Productive Performance Conversations 387

HR in Small Business 388

Notes 389

9 Employee Development 394

>> Enter the World of Business: Development at Vi Inspires Retention and Services to Seniors 395

Introduction 395

The Relationship among Development, Training, and Careers 396

Development and Training 396

Development and Careers 397

Development Planning Systems 399

Self-Assessment 399

Reality Check 399

Goal Setting 400

Action Planning 400

Examples of Development Planning and Career Management Systems 401

Approaches to Employee Development 402

Formal Education 403

Integrity in Action

Footing the Bill for Employee Development 406

Assessment 406

Job Experiences 411

Competing through Globalization

Developing Employees through Worldwide Job Experiences 414

EVIDENCE-BASED HR 418

Interpersonal Relationships 418

Competing through Technology

Can Formulas Ensure Effective Mentoring Relationships? 421

Special Issues in Employee Development 422

Melting the Glass Ceiling 422

Competing through Environmental, Social, and Governance Practices

Maximizing Stakeholder Value through Skill Development and an Inclusive and Diverse Culture 424

Succession Planning 425

>> A Look Back 430

Summary 430

Key Terms 430
Discussion Questions 430
Self-Assessment Exercise 431
Exercising Strategy 431
Managing People: Development at 3M 432
HR in Small Business 433
Notes 433

10 Employee Separation and Retention 438

- >> **Enter the World of Business: Google Employees Protest “Pass the Trash” Sexual Harassment Practices** 439
- Introduction** 440
- Managing Involuntary Turnover** 441
 - Competing through Globalization**
Flexicurity: Translating the French Labor Code into Swedish 444
 - Principles of Justice 445
 - Competing through Environmental, Social, and Governance Practices**
Equity, Equality, and Executive Pay: What Ratio Is “Fair”? 446
 - Integrity in Action**
Culture Change at Uber: Changing Values (and Personnel) 449
 - Progressive Discipline and Alternative Dispute Resolution 450
 - Employee Assistance and Wellness Programs 451
- EVIDENCE-BASED HR** 453
 - Outplacement Counseling 454
- Managing Voluntary Turnover** 455
 - Process of Job Withdrawal 456
 - Job Satisfaction and Job Withdrawal 459
 - Sources of Job Dissatisfaction 460
 - Competing through Technology**
Technology Solves Predictable Problems with Predictive Scheduling 464
 - Measuring and Monitoring Job Satisfaction 466
 - Survey Feedback Interventions 467
- >> **A Look Back** 471
 - Summary** 472
 - Key Terms** 472
 - Discussion Questions** 472
 - Self-Assessment Exercise** 472
 - Exercising Strategy** 473

Managing People: There Is Really No Good Answer to the Question: “Rogue Employees or Toxic Culture?” 474
HR in Small Business 474
Notes 475

PART 4 Compensation of Human Resources 478

- 11 Pay Structure Decisions** 478
- >> **Enter the World of Business: Unemployment Rates Down, Employee Compensation Up: Competing for Employees to Execute Strategy** 479
- Introduction** 480
- Equity Theory and Fairness** 482
- Developing Pay Levels** 484
 - Market Pressures 484
 - Competing through Technology**
Automation, Technology, and the Demand for Employees 486
 - Employees as a Resource 487
 - Competing through Environmental, Social, and Governance Practices**
Reducing Employee Financial Precarity 488
 - Deciding What to Pay 489
- EVIDENCE-BASED HR** 489
 - Market Pay Surveys 490
 - Developing a Job Structure 491
 - Developing a Pay Structure 493
 - Conflicts between Market Pay Surveys and Job Evaluation 496
 - Monitoring Compensation Costs 497
 - Globalization, Geographic Region, and Pay Structures 498
- The Importance of Process: Participation and Communication** 499
 - Participation 499
 - Communication 500
- Challenges** 501
 - Problems with Job-Based Pay Structures 501
 - Responses to Problems with Job-Based Pay Structures 501

Can the U.S. Labor Force Compete? 503

Executive Pay 506

Competing through Globalization

Where to Manufacture? Labor Costs and the Automobile Industry (including Tesla) 507

Government Regulation of Employee Compensation 510

Equal Employment Opportunity 510

Minimum Wage, Overtime, and Prevailing Wage Laws 513

Integrity in Action

Making Questions about Salary History Off Limits 514

>> A Look Back 515

Summary 516

Key Terms 516

Discussion Questions 516

Self-Assessment Exercise 517

Exercising Strategy 517

Managing People: Reporting the Ratio of Executive Pay to Worker Pay: Is It Worth the Trouble? 518

HR in Small Business 519

Notes 520

12 Recognizing Employee Contributions with Pay 524

>> Enter the World of Business: Employers Raise Pay but Try to Keep an Eye on Fixed Costs—A Challenge in a Tight Labor Market 525

Introduction 526

How Does Pay Influence Individual Employees? 527

Reinforcement Theory 527

Expectancy Theory 527

Agency Theory 528

Competing through Environmental, Social, and Governance Practices

Carbon-Emissions Targets (and Incentives) at Royal Dutch Shell 530

How Do Pay Sorting Effects Influence Labor Force Composition? 530

Pay-for-Performance Programs 531

Differentiation in Performance and Pay 531

Differentiation Strength/Incentive Intensity: Promise and Peril 531

Competing through Technology

Financial Services Firms Turn to Social Media and Automation 532

Integrity in Action

Novartis Changes the Way It Pays: Now, Not Just Whether, but also How, You Achieve Your Objectives Matters 534

Types of Pay for Performance: An Overview 534

Managerial and Executive Pay 547

Process and Context Issues 551

Employee Participation in Decision Making 551

Communication 551

Pay and Process: Intertwined Effects 552

Organization Strategy and Compensation Strategy: A Question of Fit 552

Competing through Globalization

Japanese Companies Shift Emphasis from Seniority to Performance: Some Japanese Now Even Switch Companies 553

>> A Look Back 555

Summary 555

Key Terms 555

Discussion Questions 556

Self-Assessment Exercise 556

Exercising Strategy 556

Managing People: ESOPs: Who Benefits? 557

HR in Small Business 558

Notes 559

13 Employee Benefits 566

>> Enter the World of Business: Work (and Family?) in Tech, Finance, and Consulting: Millennials Speak Up 567

Introduction 568

Reasons for Benefits Growth 569

Benefits Programs 572

Social Insurance (Legally Required) 573

Private Group Insurance 576

Retirement 577

Pay for Time Not Worked 582

Family-Friendly Policies 583

EVIDENCE-BASED HR 584

Managing Benefits: Employer Objectives and Strategies 586

Surveys and Benchmarking **587**

Cost Control **587**

Competing through Environmental, Social, and Governance Practices

Employers Become Health Care Providers **588**

Competing through Technology

Alliances, Technology, and Virtual Care (Telemedicine) **592**

Integrity in Action

Being a Contractor versus an Employee **596**

Competing through Globalization

Improving Expatriate Access to Health Care **597**

Nature of the Workforce **597**

Communicating with Employees and Maximizing Benefits Value **598**

General Regulatory Issues **603**

Affordable Care Act **603**

Nondiscrimination Rules, Qualified Plans, and Tax Treatment **603**

Sex, Age, and Disability **605**

Monitoring Future Benefits Obligations **605**

>> A Look Back **606**

Summary **607**

Key Terms **607**

Discussion Questions **607**

Self-Assessment Exercise **608**

Exercising Strategy **608**

Managing People: Some Companies Want Employees (Back) at the Office **609**

HR in Small Business **610**

Notes **611**

PART 5
Special Topics in Human Resource Management **616**

14 Collective Bargaining and Labor Relations **616**

>> Enter the World of Business: Collective Bargaining Comes to JetBlue **617**

Introduction **618**

The Labor Relations Framework **618**

Goals and Strategies **620**

Society **620**

Management **621**

Labor Unions **621**

Integrity in Action

The Alliance for Bangladesh Worker Safety **623**

Union Structure, Administration, and Membership **624**

National And International Unions **624**

Local Unions **625**

American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) **625**

Union Security **625**

Union Membership and Bargaining Power **627**

Legal Framework **631**

Concerted Activity **632**

Unfair Labor Practices—Employers **633**

Unfair Labor Practices—Labor Unions **634**

Enforcement **634**

Union and Management Interactions: Organizing **635**

Why Do Employees Join Unions? **635**

The Process and Legal Framework of Organizing **635**

Competing through Environmental, Social, and Governance Practices

Representing Nonunion Employees in the Gig Economy **642**

Competing through Technology

Worker Organizing and Competing Apps at Walmart **643**

Union and Management Interactions: Contract Negotiation **645**

The Negotiation Process **645**

Management's Preparation for Negotiations **646**

Negotiation Stages and Tactics **647**

Bargaining Power, Impasses, and Impasse Resolution **648**

Management's Willingness to Take a Strike **648**

Impasse Resolution Procedures: Alternatives to Strikes **649**

Union and Management Interactions: Contract Administration **650**

Grievance Procedure **650**

Cooperative Labor—Management Strategies **652**

Labor Relations Outcomes **655**

EVIDENCE-BASED HR 656

Strikes 657

Wages and Benefits 657

Productivity 659

Profits and Stock Performance 660

The International Context 660**Competing through Globalization**

France and Labor Reforms: President Macron Says He Does Not Plan to End Up As Did Louis XVI and Marie-Antoinette 663

The Public Sector 664**Nonunion Representation Systems 665****>> A Look Back 666**

Summary 666

Key Terms 666

Discussion Questions 667

Self-Assessment Exercise 667

Exercising Strategy 667

Managing People: Twinkies, HoHos, and Ding Dongs: No Treat for Labor Unions 668

HR in Small Business 669

Notes 670

15 Managing Human Resources Globally 674**>> Enter the World of Business: Changing the Offshoring Game 675**

Introduction 676

Current Global Changes 677

European Union and “Brexit” 677

United States–Mexico–Canada Trade Agreement 678

The Growth of Asia 678

General Agreement on Tariffs and Trade 678

Factors Affecting HRM in Global Markets 679

Culture 679

Competing through Globalization

Amazon Faces Integrity Issues in China 680

EVIDENCE-BASED HR

Is National Culture as Important as We Thought? 683

Education–Human Capital 684

Political–Legal System 684

Competing through Technology

The Need for Hybrid Skills 685

Integrity in Action

Scandal in South Korea 686

Economic System 686

Competing through Environmental, Social, and Governance Practices

Company Solutions to the Environmental Challenge 687

Managing Employees in a Global Context 689

Types of International Employees 689

Levels of Global Participation 689

Managing Expatriates in Global Markets 693

>> A Look Back 704

Summary 705

Key Terms 705

Discussion Questions 705

Self-Assessment Exercise 705

Exercising Strategy 706

Managing People: Huawei’s Culture 706

HR in Small Business 707

Notes 707

16 Strategically Managing the HRM Function 710**>> Enter the World of Business: Rebuilding Wells Fargo 711**

Introduction 711

Activities of HRM 712

Strategic Management of the HRM Function 713**Building an HR Strategy 715**

The Basic Process 715

Involving Line Executives 717

Characterizing HR Strategies 717

Measuring HRM Effectiveness 719

Audit Approach 719

The Analytic Approach 721

Improving HRM Effectiveness 724

Restructuring to Improve HRM Effectiveness 725

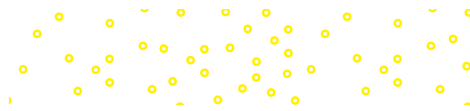
Outsourcing to Improve HRM Effectiveness 727

Improving HRM Effectiveness through Process Redesign 728

Competing through Technology

Robots Are Now in Charge of Hiring 732

Improving HRM Effectiveness through New Technologies—HRM Information Systems 735



EVIDENCE-BASED HR

The HR Crystal Ball: Predicting Who Might Leave 737

The Future for HR Professionals 738

Competing through Globalization

IKEA Enters India 739

The Role of the Chief Human Resource Officer 740

Integrity in Action

CBS's CEO Needed CHRO Help 742

Competing through Environmental, Social, and Governance Practices

The CHRO's Role in ESG 743

>> A Look Back 743

Summary 744

Key Terms 744

Discussion Questions 744

Self-Assessment Exercise 745

Exercising Strategy 745

Managing People: Wells Fargo's Recovery? 746

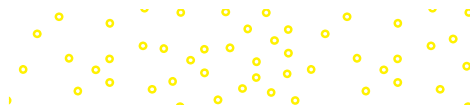
HR in Small Business 747

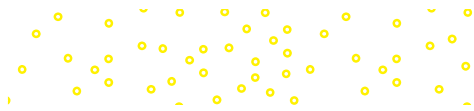
Notes 747

Glossary 750

Name and Company Index 761

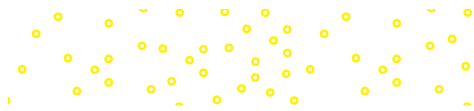
Subject Index 770





Human Resource Management

GAINING A COMPETITIVE ADVANTAGE



Human Resource Management: Gaining a Competitive Advantage



LEARNING OBJECTIVES

After reading this chapter, you should be able to:

- LO 1-1** Discuss the roles and activities of a company's human resource management function. *page 5*
- LO 1-2** Discuss the implications of the economy, the makeup of the labor force, and ethics for company sustainability. *page 17*
- LO 1-3** Discuss how human resource management affects a company's balanced scorecard. *page 29*
- LO 1-4** Discuss what companies should do to compete in the global marketplace. *page 46*
- LO 1-5** Identify how social networking, artificial intelligence, and robotics are influencing human resource management. *page 50*
- LO 1-6** Describe how automation using artificial intelligence and robotics has the potential to change jobs. *page 51*
- LO 1-7** Discuss human resource management practices that support high-performance work systems. *page 52*
- LO 1-8** Provide a brief description of human resource management practices. *page 55*

ENTER THE WORLD OF BUSINESS



The Evolution of HRM Practices at IBM

IBM has moved from a business that primarily focused on manufacturing and selling computer hardware and managing clients on-site data centers to becoming a key player in cloud-based services, artificial intelligence–based products, and block-chaining (a security system for Bitcoin and cryptocurrencies). In the 2000s, IBM’s revenue declined for 22 consecutive quarters as it made the transition. Today, more than 50% of IBM’s revenue comes from business they entered in the 2000s, and 50% of its employees have joined the company in the last five years. The business focus at IBM today is speed, innovation, and a focus on the client experience.

To attract and retain talented employees, to support change, and to facilitate the creative and innovative thinking that IBM needed to transition to new businesses required adopting new HRM practices. To do so, IBM’s chief human resource officer, Diane Gherson worked collaboratively with employees, managers, HR staff, and technical experts, listened to their ideas, asked questions, and was open to new ideas and different perspectives. She also had to find leaders who would support the implementation of new HRM practices. For example, IBM’s new performance management system known as Checkpoint provides managers and employees with an app they can use to provide and receive feedback on a timely and more continuous basis. This allows employees and managers to change behaviors and modify performance goals in “real-time” due to business or team needs rather than waiting for their mid year or annual review when it is too late. Checkpoint was based on the ideas and suggestions of more than 100,000 IBM employees who now use blogs to comment on what they like about Checkpoint and how it can be improved.

Innovative products and services often result from employees with diverse backgrounds working

together. Recognizing this, as well as wanting to be an inclusive employer, IBM has taken several steps to develop a pipeline of skilled and diverse tech employees. The company’s New Collar program helps identify and hire individuals from nontraditional backgrounds who have the potential to master technical skills but might otherwise get ignored because they don’t have the necessary education background, such as a college education. In 2017 15% of IBM’s hires in the United States came from the New Collar program. IBM provides opportunities for women who have not been working for an extended period of time to develop the skills needed for tech jobs. The company has also been recognized for its efforts in hiring graduates of historically black colleges and universities.

Many of the new HR practices involve using state-of-the-art AI applications and data analytics. IBM’s traditional learning management system provided many training and development opportunities. The new system still does but it is customized to match employees’ interests and needs. AI is used to review employees’ skills, current position, and career path and to provide personal learning recommendations including specific courses, webinars, YouTube videos, and TED talks. Learning opportunities are organized on the learning management system by channels, similar to what you have experienced on Netflix or Amazon. Employees can get answers to their questions about the learning opportunities by accessing a live-chat adviser. They can also see how their peers have evaluated the various learning opportunities. Since the redesign of the learning management system, employees are using it over one-third more than in previous years and course completion rates have increased. IBM’s Blue Matching tool helps employees identify new opportunities within the company. It identifies jobs that match employees

CONTINUED

skills, experiences, current location where they work or their location preferences, and historical job performance. IBM estimates Blue Matching saved the company more than \$100 million by reducing turnover and improving productivity.

Effective leadership is an important ingredient for a successful business transformation. IBM identified 36 characteristics that its leaders need to help employees navigate the business transformation. IBM's leaders are involved in 360-degree feedback assessment that identifies their strengths and

opportunities for improvement in leadership characteristics. Coaches are provided to the leaders to help them improve in the areas they need to develop. This initiative is especially important for support leaders who are responsible for business units undergoing significant change.

SOURCES: Based on A. McIlvaine, "Transforming Big Blue," *Human Resource Executive* (October 2018), pp. 14–16; L. Burrell, "Co-Creating the Employee Experience," *Harvard Business Review* (March–April 2018), pp. 54–58; O. Louissaint, "Diversity Without Inclusion Is a Missed Opportunity," *TD* (December 2018), pp. 32–37; T. Bingham and P. Galagan, "AI is Coming for Everyone," *TD* (December 2018), pp. 26–31.

Introduction

IBM illustrates the key role that human resource management plays in determining the survival, effectiveness, and competitiveness of U.S. businesses. **Competitiveness** refers to a company's ability to maintain and gain market share in its industry. IBM's human resource management practices are helping support the company's business strategy and provide services the customer values. The value of a product or service is determined by its quality and how closely the product fits customer needs.

Competitiveness is related to company effectiveness, which is determined by whether the company satisfies the needs of stakeholders (groups affected by business practices). Important stakeholders include stockholders, who want a return on their investment; customers, who want a high-quality product or service; and employees, who desire interesting work and reasonable compensation for their services. The community, which wants the company to contribute to activities and projects and minimize pollution of the environment, is also an important stakeholder. Companies that do not meet stakeholders' needs are unlikely to have a competitive advantage over other firms in their industry.

Human resource management (HRM) refers to the policies, practices, and systems that influence employees' behavior, attitudes, and performance. Many companies refer to HRM as involving "people practices." Figure 1.1 emphasizes that there are several

Competitiveness

A company's ability to maintain and gain market share in its industry.

Human resource management (HRM)

The policies, practices, and systems that influence employees' behavior, attitudes, and performances.

Figure 1.1

Human Resource Management Practices



important HRM practices. The strategy underlying these practices needs to be considered to maximize their influence on company performance. As the figure shows, HRM practices include analyzing and designing work, determining human resource needs (HR planning), attracting potential employees (recruiting), choosing employees (selection), teaching employees how to perform their jobs and preparing them for the future (training and development), rewarding employees (compensation), evaluating their performance (performance management), and creating a positive work environment (employee relations). The HRM practices discussed in this chapter's opening highlighted how effective HRM practices support business goals and objectives. That is, effective HRM practices are strategic! Effective HRM has been shown to enhance company performance by contributing to employee and customer satisfaction, innovation, productivity, and development of a favorable reputation in the firm's community.¹

We begin by discussing the roles and skills that a human resource management department and/or managers need for any company to be competitive. The second section of the chapter identifies the competitive challenges that U.S. companies currently face, which influence their ability to meet the needs of shareholders, customers, employees, and other stakeholders. We discuss how these competitive challenges are influencing HRM. The chapter concludes by highlighting the HRM practices covered in this book and the ways they help companies compete.

What Responsibilities and Roles Do HR Departments Perform?

Table 1.1 shows the responsibilities of human resource departments. How much should companies budget for HR and how many HR professionals should a company employ? One study estimates that HR budgets on average are \$2,936 per employee.²

High-impact HR teams have one staff person per 64 employees, spend more than the average HR budget per employee (\$4,434 on average per employee), and employ a higher percentage of HR specialists than more compliance-driven and basic HR organizations.

High-impact HR functions are more integrated with the business and skilled at helping managers in attracting, building, engaging, and retaining talented employees. They can adapt quickly to business needs and workforce changes, identify and promote talent from within the company, and are continuously trying to identify what motivates employees to help them grow and develop. Also, high-impact HR functions ensure that they are continuously building the talent and skills of HR professionals necessary to help the company meet new competitive challenges. The greater cost-per-employee of high-impact HR functions is offset by the greater savings resulting from reduced turnover and increased levels of employee engagement.

The HR department is solely responsible for outplacement, labor law compliance, record keeping, testing, unemployment compensation, and some aspects of benefits administration. The HR department is most likely to collaborate with other company functions on employment interviewing, performance management and discipline, and efforts to improve quality and productivity. Large companies are more likely than small ones to employ HR specialists, with benefits specialists being the most prevalent. Other common specializations include recruitment, compensation, and training and development.³

Many different roles and responsibilities can be performed by the HR department, depending on the size of the company, the characteristics of the workforce, the industry, and the value system of company management. The HR department may take full responsibility for human resource activities in some companies, whereas in others it

LO 1-1

Discuss the roles and activities of a company's human resource management function.

Table 1.1

Responsibilities of HR Departments

FUNCTION	RESPONSIBILITIES
Analysis and design of work	Job analysis, work analysis, job descriptions
Recruitment and selection	Recruiting, posting job descriptions, interviewing, testing, coordinating use of temporary employees
Training and development	Orientation, skills training, development programs, career development
Performance management	Performance measures, preparation and administration of performance appraisals, feedback and coaching, discipline
Compensation and benefits	Wage and salary administration, incentive pay, insurance, vacation, retirement plans, profit sharing, health and wellness, stock plans
Employee relations/labor relations	Attitude surveys, employee handbooks, labor law compliance, relocation and outplacement services
Personnel policies	Policy creation, policy communications
Employee data and information systems	Record keeping, HR information systems, workforce analytics, social media, intranet and Internet access
Legal compliance	Policies to ensure lawful behavior; safety inspections, accessibility accommodations, privacy policies, ethics
Support for business strategy	Human resource planning and forecasting, talent management, change management, organization development

SOURCES: Based on Bureau of Labor Statistics, U.S. Department of Labor, "Human Resources Specialists," *Occupational Outlook Handbook*, from www.bls.gov/ooh/business-and-financial/human-resources-specialists.htm, accessed February 17, 2019; SHRM-BNA Survey No. 66, "Policy and Practice Forum: Human Resource Activities, Budgets, and Staffs, 2000–2001," *Bulletin to Management*, Bureau of National Affairs Policy and Practice Series, June 28, 2001 (Washington, DC: Bureau of National Affairs).

may share the roles and responsibilities with managers of other departments such as finance, operations, or information technology. In some companies the HR department advises top-level management; in others the HR department may make decisions regarding staffing, training, and compensation after top managers have decided relevant business issues.

Some companies that want managers to have more accountability for employees believe that traditional HR departments are unnecessary because they inhibit innovation by creating unnecessary and inefficient policies and procedures.⁴ In these companies, important payroll, benefits, and other HR processes are automated or outsourced. Also, at smaller companies HR responsibilities are often handled by the owner. They do so for many possible reasons, including not wanting to incur the costs of having an HR manager or outsourcing HR services and being unwilling or unable to delegate HR responsibilities or share information with others. However, there are many advantages to having HR professionals and an HR department. Managers often lack the specialized knowledge necessary to understand employment laws and how to identify potential employees, determine skills and salaries for positions, and develop current employees. HR professionals can create systems to avoid legal liability, counsel employees, and coach managers on how to identify, retain, and develop talent. For example, the owner of a marketing company hired an HR professional after she realized the downside of trying to handle HR responsibilities herself.⁵ She handled recruiting, hiring, payroll, and other HR responsibilities, but this took her away from the time she could spend growing the business and resulted in a decrease in company revenues. Also, she recognized that to grow the business, she needed

Figure 1.2

HR as a Business with Three Product Lines



SOURCE: Adapted from Figure 1, “HR Product Lines” in E. E. Lawler, “From Human Resource Management to Organizational Effectiveness,” *Human Resource Management* 44 (2005), pp. 165–69.

an HR professional who knew more about how to identify and find the most qualified candidates to fill open positions at her company.

One way to think about the roles and responsibilities of HR departments is to consider HR as a business within the company with three product lines. Figure 1.2 shows the three product lines of HR. The first product line, administrative services and transactions, is the traditional product that HR has historically provided. The newer HR products—business partner services and the strategic partner role—are the HR functions that top managers want HR to deliver.

To ensure that HR is business focused, Walgreens’s HR professionals are paired with functional leaders.⁶ The HR field organization works to develop strategic talent plans for each business and helps implement important initiatives such as succession planning, change management, organizational design, and culture and leadership development. The HR director at TAMKO Building Products Inc. helped align the company’s HR function to business needs.⁷ She noticed that inexperienced HR professionals were spending too much time on transactional duties such as payroll and benefits administration. She wanted them to focus on supplying managers with skilled, well-trained employees and meaningful data. She revised their training to ensure that they understood the industry and the skills that the company needed for continued success. She urged her staff to be proactive (rather than reactive) about offering HR solutions to help managers avoid or solve workplace problems. The team responded by identifying and implementing a new time-and-attendance tracking system, a virtual onboarding and orientation process, and a leadership development program.

Strategic Role of the HRM Function

The amount of time that the human resource management function devotes to administrative tasks is decreasing, and its roles as a strategic business partner, change agent, and employee advocate are increasing.⁸ HR managers face two important challenges: shifting their focus from current operations to strategies for the future and preparing non-HR managers to develop and implement HR practices.⁹ To ensure that HRM contributes to

Shared service model

A way to organize the HR function that includes centers of expertise or excellence, service centers, and business partners.

the company's competitive advantage, many HR departments are organized on the basis of a shared service model. The shared service model can help control costs and improve the business relevance and timeliness of HR practices. A **shared service model** is a way to organize the HR function that includes centers of expertise or excellence, service centers, and business partners.¹⁰ Centers of expertise or excellence include HR specialists in areas such as staffing or training who provide their services companywide. Service centers are a central place for administrative and transactional tasks such as enrolling in training programs or changing benefits that employees and managers can access online. Business partners are HR staff members who work with business-unit managers on strategic issues such as creating new compensation plans or development programs for preparing high-level managers. Walgreens provides employee relations, recruiting, and HR data services through a shared services team.¹¹ Walgreens introduced a website, myHR, that employees can access to get answers to their questions about benefits, HR policies, and talent management. It provides confidential personalized information that is easy for employees to access. We will discuss the shared service model in more detail in Chapter 16.

Self-service

Giving employees online access to human resources information.

The role of HRM in administration is decreasing as technology is used for many administrative purposes, such as managing employee records and allowing employees to get information about and enroll in training, benefits, and other programs. The availability of the Internet has decreased the HRM role in maintaining records and providing self-service to employees.¹² **Self-service** refers to giving employees online access to, or apps that provide, information about HR issues such as training, benefits, compensation, and contracts; enrolling online in programs and services; and completing online attitude surveys. The shift to self-service means that HR can focus more time on consulting with managers on important employee issues and less time on day-to-day transactional tasks. For example, U.S. Bancorp implemented the PeopleSoft human capital management system, which allows managers to review or approve basic personnel actions such as terminations, relocations, and salary changes.¹³ As managers became more comfortable with the system, they were given control over transactions such as approving bonuses, reviewing résumés, and evaluating job candidates. Managers were initially resistant to take on duties that previously were handled by HR staff, but they accepted the change because it enabled them to execute transactions more quickly and gave them more access to workforce data they could use for decision making. HR professionals now have more time to work with managers on ensuring the right employee development plans are in place, evaluating workforce needs due to retirements or growth, and ensuring their organizational structures are efficient and effective.

Outsourcing

An organization's use of an outside organization for a broad set of services.

Many companies are also contracting with HR service providers to conduct important but administrative HR functions such as payroll processing, as well as to provide expertise in strategically important practice areas such as recruiting. **Outsourcing** refers to the practice of having another company (a vendor, third party, or consultant) provide services. The most commonly outsourced activities include those related to benefits administration (e.g., flexible spending accounts, health plan eligibility status), relocation, and payroll. The major reasons that company executives choose to outsource HR practices include cost savings, increased ability to recruit and manage talent, improved HR service quality, and protection of the company from potential lawsuits by standardizing processes such as selection and recruitment.¹⁴ ADP, Hewitt, IBM, and Accenture are examples of leading outsource providers.

Goodyear Tire and Rubber Company reenergized its recruitment and hiring practices through outsourcing recruiting practices.¹⁵ The recruiting outsource provider worked with the company to understand its culture, its history, and its employees' recruitment experiences. The recruiting outsourcing service provider was able to help Goodyear streamline

the recruiting process by providing hiring managers with online access to create new job requisitions, providing interview feedback, scheduling interviews, generating customized job offer letters, and gaining a real-time perspective on job candidates' progress in the recruitment process. Goodyear recognized several benefits from outsourcing recruitment, including improving the timeliness of job offers, increasing the diversity and quality of new hires, and reducing turnover.

Traditionally, the HRM department (also known as “personnel” or “employee relations”) was primarily an administrative expert and employee advocate. The department took care of employee problems, made sure employees were paid correctly, administered labor contracts, and avoided legal problems. The HRM department ensured that employee-related issues did not interfere with the manufacturing or sales of products or services. Human resource management was primarily reactive; that is, HR issues were a concern only if they directly affected the business. That still remains the case in many companies that have yet to recognize the competitive value of HRM, or among HR professionals who lack the competencies and skills or understanding needed to anticipate problems and contribute to the business strategy. However, other companies believe that HRM is important for business success and therefore have expanded the role of HRM as a change agent and strategic partner.

A discussion group of company HR directors and academic thought-leaders reported that increasingly HR professionals are expected to lead efforts focused on talent management and performance management in order to create the global workforces that companies need to be successful.¹⁶ HR professionals have to be able to use and analyze data to make a business case for ideas and problem solutions. In many companies, top HR managers report directly to the CEO, president, or board of directors to answer questions about how people strategies drive value for the company. For example, the vice president of human resources for Lawson Products, a company that distributes industrial maintenance and repair products, meets weekly with the operations committee which includes the CEO, chief financial officer, general legal council, and company vice presidents.¹⁷ She also has monthly meetings with the CEO and is involved in Lawson's annual budgeting process and strategy meetings.

This also means that HR professionals have to be prepared to use their people management skills across the business. For example, the top business executives at Honeywell International gave its chief HR executive the responsibility for leading a cost-cutting strategy.¹⁸ To do so the HR executive worked with business leaders from finance and other departments to identify more than 100 ways to cut costs and gain efficiencies in operations. Because of his success leading the cost-cutting strategy he was given the responsibility of managing Honeywell's procurement business, which has more than 100,000 employees and earned more than \$40 billion in revenue for the company. He still had to perform his regular duties managing HR and communications. He found his HR skills useful for developing strategies to recruit and train managers to run the procurement operation. After a corporate reorganization he lost his procurement responsibilities but was given a new role in security management.

Consider how HRM has supported the business at Juniper Networks and Abbott.¹⁹ Juniper Networks, a networking technology company that had become successful by introducing a new router, was a major innovator in the computer network industry. But Juniper found that, despite its success, it needed to reinvent its business strategy and grow. To help reinvent its business strategy and structure, Juniper's HR team had conversations with 150 senior company leaders, including the company chairman, and 100 other managers located around the world. During these conversations, the HR team asked the leader or manager questions about important environmental challenges facing Juniper,