**CHAPTER 1**

# HUMAN RESOURCE MANAGEMENT: AN OVERVIEW

# CHAPTER OBJECTIVES

1 Define human resource management.

2 Identify the human resource management functions.

3 Describe who performs human resource management activities.

4 Explain how HR serves as a strategic business partner.

5 Identify the elements of the dynamic HRM environment.

6 Explain the importance of corporate culture and human resource management.

7 Describe the importance of employer branding.

8 Discuss human resource management issues for small businesses.

9 Identify ways that country culture influences global business.

10 Describe the human resource management profession.

# KEY TERMS

**Human resource management (HRM):** The utilization of individuals to achieve organizational objectives.

**Staffing:** Process through which an organization ensures that it always has the proper number of employees with the appropriate skills in the right jobs, at the right time, to achieve organizational objectives.

**Performance management:** Goal-oriented process directed toward ensuring that organizational processes are in place to maximize the productivity of employees, teams, and ultimately, the organization.

**Human resource development (HRD):** Major HRM function consisting not only of training and development, but also of individual career planning and development activities, organization development, and performance management and appraisal.

**Direct financial compensation:** Pay that a person receives in the form of wages, salary, commissions, and bonuses.

**Indirect financial compensation (benefits):** All financial rewards that are not included in direct financial compensation.

**Nonfinancial compensation:** Satisfaction that person receives from the job itself or from the psychological and/or physical environment in which the person works.

**Safety:** Protection of employees from injuries caused by work-related accidents.

**Health:** Employees’ freedom from physical or emotional illness.

**Human resource management professional:** An individual who normally acts in an advisory or staff capacity,working with other managers to help them address human resource matters.

**Line managers:** Individuals directly involved in accomplishing the primary purpose of the organization.

**HR** <P><LINK LINKEND="MN2.01.015"><KT>**outsourcing (HRO):**</KT><SIDEIND NUM="15" ID="MN2.01.015"/></LINK> Process of hiring external HR professionals to do the HR work that was previously done internally.

**Shared service center (SSC):** A c<DEF><P>enter that takes routine, transaction-based activities dispersed throughout the organization and consolidates them in one place.

**Professional employer organization (PEO):** A company that leases employees to other businesses.

**Capital:** The factors that enable companies to generate income, increase company stock prices, economic value, strong brand identity and reputation.

**Human capital:** As defined by economists, refers to sets of collective skills, knowledge, and ability that employees can apply to create economic value for their employers.

**Union:** Comprised of employees who have joined together for the purpose of dealing with their employer.

# Shareholders: Owners of a corporation.

**Human resource information system (HRIS):** Any organized approach for obtaining relevant and timely information on which to base human resource decisions.

**Corporate culture:** System of shared values, beliefs, and habits within an organization that interacts with the formal structure to produce behavioral norms.

**Country’s culture:**<INST></INST></KT><DEF><P>Set of values, symbols, beliefs, languages, and norms that guide human behavior within the country.

**Employer branding:** Firm’s corporate image or culture focused on attracting the type of employees the firm is seeking.

**Executive:** Top-level manager who reports directly to a corporation’s chief executive officer or to the head of a major division.

**Generalist:** Person who may be an executive and performs tasks in a variety of HR-related areas.

**Specialist:** Individual who may be an HR executive, a human resource manager, or a nonmanager, and who is typically concerned with only one of the six functional areas of human resource management.

**Profession:** Vocation characterized by the existence of a common body of knowledge and a procedure for certifying members.

# LECTURE OUTLINE

Human resource management

Human resource management (HRM) can be defined as the optimal utilization of individuals to achieve organizational objectives.

**HUMAN RESOURCE** **MANAGEMENT FUNCTIONS**

Six functional areas are associated with effective human resource management: staffing, human resource development, performance management, compensation, safety and health, and employee and labor relations.

* **STAFFING**—Process through which an organization ensures that it always has the proper number of employees with the appropriate skills in the right jobs, at the right time, to achieve organizational objectives.
* **Job analysis**: Systematic process of determining the skills, duties, and knowledge required for performing specific jobs in an organization.
* **Human resource planning**: Systematic process of matching the internal and external supply of people with job openings anticipated in the organization over a specified period of time.
* **Recruitment**: Process of attracting qualified individuals and encouraging them to apply for work with the organization.
* **Selection**: Process through which the organization chooses, from a group of applicants, those individuals best suited both for open positions and the company.
* **PERFORMANCE MANAGEMENT**—A goal-oriented process to ensure organizational processes are in place to maximize the productivity of employees, teams, and ultimately, the organization.

* **Performance appraisal**: A formal system to review and evaluate individual or team performance.

* **HUMAN RESOURCE DEVELOPMENT**—A major HRM function consisting not only of training and development but also of career planning and development activities, organization development, performance management and appraisal.

* **Training**: Activities designed to provide learners with the knowledge and skills needed for their present jobs.
* **Development**: Process thatinvolves learning that goes beyond today’s job; it has a more long-term focus.
* **Career planning**: Ongoing process whereby an individual sets career goals and identifies the means to achieve them.
* **Career development**: Formal approach used by the organization to ensure that people with the proper qualifications and experiences are available when needed.
* **COMPENSATION**—All rewards that individuals receive as a result of their employment.

* **Direct Financial Compensation**:Pay that a person receives in the form of wages, salaries, bonuses, and commissions.
* **Indirect Financial Compensation (Benefits)**: All financial rewards that are not included in direct compensation such as paid vacations, sick leave, holidays, and medical insurance.
* **Nonfinancial Compensation**: Satisfaction that a person receives from the job itself or from the psychological and/or physical environment in which the person works.
* **EMPLOYEE AND LABOR RELATIONS**—Businesses are required by law to recognize a union and bargain with it in good faith if the firm’s employees want the union to represent them. Internal employee relations comprise the human resource management activities associated with the movement of employees within the organization such as promotions, demotion, termination, and resignation.

* **SAFETY AND HEALTH**—Employees who work in a safe environment and enjoy good health are more likely to be productive and yield long-term benefits to the organization.
* **Safety**: Activities involved in protecting employees from injuries caused by work-related accidents.
* **Health**: Activities involved in securing the employees’ freedom from illness and their general physical and mental well-being.
* **HUMAN RESOURCE RESEARCH**—Pervades all HRM functional areas and the researcher’s laboratory is the entire work environment. Human resource research is key to developing the most productive and satisfied workforce possible.
* **INTERRELATIONSHIPS OF HRM FUNCTIONS**—All HRM functional areas are highly interrelated.

**Who Performs the Human Resource Management ACTIVITIES?**

The person or units who perform human resource management tasks has changed dramatically in recent years.

* **HUMAN RESOURCE MANAGEMENT PROFESSIONAL**—An individual who normally acts in an advisory (or staff) capacity when working with other (line) managers regarding human resource matters.
* **LINE MANAGERS**—Individuals directly involved in accomplishing the primary purpose of the organization. As the traditional work of HR managers diminishes, line managers are stepping up and performing some duties typically done by human resource professionals.
* **HR OUTSOURCING**—Process of hiring an external provider to do the work that was previously done internally.
* **HR SHARED SERVICE CENTERS**—Take routine, transaction-based activities that are dispersed throughout the organization and consolidate them in one place.
* **Professional Employer Organization (Employee Leasing)**—Company that leases employees to other businesses. When a decision is made to use a professional employer organization, the company releases its employees who are then hired by the PEO.

**HUMAN RESOURCES AS A STRATEGIC BUSINESS PARTNER**

Today’s HR professional must be a strategic business partner with upper management. HR must thoroughly understand all aspects of the businesses they support. Working as a strategic partner requires a deeper and broader understanding of business issues. The HR professional must inform executives of the key role employees play in achieving organizational goals. Doing so requires HR professionals to understand the role of capital in value creation.

* **CAPITAL:** The factors that enable companies to generate income, increase company stock prices, economic value, strong brand identity and reputation.
* **HUMAN CAPITAL:** As defined by economists, refers to sets of collective skills, knowledge, and ability that employees can apply to create economic value for their employers.

###### Dynamic Human Resource Management Environment

###### Many interrelated factors affect the five HRM functions. Factors outside an organization’s boundaries that affect a firm’s human resources make up the external environment.

* **LEGAL CONSIDERATIONS**—Federal, state, and local legislation, and the many court decisions interpreting this legislation, in addition to many presidential executive orders, have had a major impact on human resource management.
* **LABOR MARKET**—Potential employees located within the geographic area from which employees are normally recruited.
* **SOCIETY**—Society may also exert pressure on human resource management.
* **Ethics**: Discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation.
* **Corporate social responsibility**: Implied, enforced, or felt obligation of managers, acting in their official capacity, to serve or protect the interests of groups other than themselves.
* **POLITICAL PARTIES**—There are two major political parties in the United States. These parties often have differing opinions on human resource topics.
* **UNIONS**—Employees who have come together for the purpose of dealing collectively with their employer are collectively called a Union. A union is treated as an environmental factor because they become a third party when dealing with the company.
* **SHAREHOLDERS**—Owners of a corporation are called shareholders. Because shareholders have invested money in a firm, they may at times challenge programs considered by management to be beneficial to the organization.
* **COMPETITION**—Firms may face intense competition in both their product or service and labor markets.
* **CUSTOMERS**—People who actually use a firm’s goods and services. Management has the task of ensuring that its employment practices do not antagonize the members of the market it serves.
* **HR** <H2>**Technology**—The world has never before seen the rapid rate of technological change that is occurring today. The development of technology has created new roles for HR professionals but also places additional pressures on them to keep abreast of the technology.

 With the increased sophistication of technology has come the ability to design more useful human resource information systems (HRIS). An *HRIS*is any organized approach for obtaining relevant and timely information on which to base human resource decisions.

 Cloud computing, which is a means of providing software and data via the Internet, and the use of mobile devices are changing the way that HR work is performed. Social media is also an important HR tool, in particular for use in recruiting.

* **ECONOMY**—As a generalization, when the economy is booming, it is often more difficult to recruit qualified workers.
* **Unanticipated Events**—Many of the human resource functions require modification when unanticipated events such as major weather incidents occur.

**CORPORATE CULTURE AND HUMAN RESOURCE MANAGEMENT**

As an internal environmental factor affecting human resource management, corporate culture refers to the firm’s social and psychological climate. **Corporate culture** is defined as the system of shared values, beliefs, and habits within an organization that interacts with the formal structure to produce behavioral norms. An infinite variety of cultures could exist, so one should view them as a continuum.

Other topics include **diversity management** which is about pursuing an inclusive corporate culture which makes everyone feel welcome. **Organizational fit** is the management’s perception of the degree to which an individual fits with the culture. **New hire orientation** reflects the corporate culture and **talent management** is the strategic endeavor to optimize the use of employees to drive short and long-term organizational results. **Organizational development** is a means to achieving change in corporate culture. Finally, a **country’s culture** is the set of values, symbols, beliefs, languages, and norms that guide human behavior within the country. It is learned behavior that develops as individuals grow from childhood to adulthood.

**Employer Branding**

**Employer branding** is the firm’s corporate image or culture focused on attracting the type of employees the firm is seeking. Through employer branding, people get to know what the company stands for, the people it hires, the fit between jobs and people, and the results it recognizes and rewards.

**Human Resource Management in Small Businesses**

Typically the same HR functions previously identified must be accomplished by small business but the manner in which they are accomplished may be altered. Small businesses often do not have a formal HR unit or HRM specialists. Rather, line managers handle the HR functions. The focus of their activities is generally on hiring and retaining capable employees. Some aspects of HR functions may actually be more significant in smaller firms than in larger ones.

###### cOUNTRY CULTURE AND GLOBAL BUSINESS

A country’s culture is the set of values, symbols, beliefs, languages, and norms that guide human behavior within the country. Cultural differences between countries are a major factor influencing global business. This borderless world adds dramatically to the difficulty of managing employees. Cultural differences reveal themselves in everything from the workplace environments to differences in the concept of time, space, and social interaction. Cultural misunderstandings are common, but they can be hazards to executives managing global workforces, creating significant challenges in managing a firm’s human resources.

###### Human Resource MANAGEMENT PROFESSION

There are various designations in the human resource management profession.

* **EXECUTIVE**—A top-level manager who reports directly to a corporation’s chief executive officer or to the head of a major division is called an executive.
* **GENERALIST**—A person who may be an executive and performs tasks in a variety of HR-related areas is called a Generalist.
* **SPECIALIST**—An individual who may be an HR executive, a human resource manager, or a nonmanager, and who is typically concerned with only one of the five functional areas of human resource management.
* **PROFESSION:** Vocation characterized by the existence of a common body of knowledge and a procedure for certifying members. Professions have representative organizations. In HR these include the Society for Human Resource Management, the Human Resource Certification Institute, the American Society for Training and Development, and WorldatWork. Opportunities and compensation in this profession are growing.

**ANSWERS TO CHAPTER 1 EXERCISES**

*1-1.* *Employer branding was discussed at the beginning of this chapter. On a scale of 1 (Poor) to 5 (Great), how valuable are the following brands? Why do you rate them low or high?*

In answering this exercise, use your own opinion regarding each firm. There are no right or wrong answers. Some possible answers and reasons include the following:

1. *Bank of America*—(1) The company is laying off a lot of employees and their bank president gets paid too much. They made a huge mistake when they purchased Merrill Lynch.
2. *McDonald’s*—(4) They make a reasonably good hamburger for an affordable price, but some of their food is not heart healthy. Some of your friends work at McDonald’s and they tell you that it is a good place to work.
3. *BP Global*—(1) The Gulf oil spill made up my mind for me. It really messed up the economy for the Gulf coast for a long time. They were not forthright in explaining the situation.
4. *Walmart*—(3) They have some low prices and this helps a lot of people. One of your friends works there and says that they discriminate against women.

*1-2.* *How might being on the following lists assist in a company’s recruitment and retention programs?*

Public recognition is often a positive way to build an employer’s brand. There are not absolute right and wrong responses to this question. Below are some possible responses.

1. *Fortune* magazine’s 100 Best Companies—This is a well-known list and employers use this recognition to attract workers. They also build attractive workplace cultures to get on the list, which helps retention.
2. *Working Mother* list of 100 Best Companies—Offering family-friendly benefits can help attract and retain women.
3. *Fortune* Magazine list of 100 fastest-growing companies in the United States—Small businesses often have recruitment challenges. This recognition can help build a brand and attract potential workers.
4. *Money* magazine list of 100 best places to live—This list can help a company decide on a good location to locate a facility. If a company is located in a listed community, they can attract workers to relocate.
5. *Business Ethics* magazine list of 100 Best Corporate Citizens—This list can help recruit individuals that value an ethical workplace.
6. *Computerworld* list of Best Places to Work—This list can help attract technical workers.
7. *Black Enterprise* list of Best Companies for Diversity—Companies that make this list are likely to be able to retain a diverse workforce. It can also attract potential workers who desire to work in a diverse environment.

*1-3.* *Review the employment classified ads in the Wall Street Journal, HR Magazine, and a Sunday edition of a large city newspaper. Make a list of the types of human resource management jobs, the companies offering employment, and the qualifications needed to obtain the positions. What is your basic conclusion after this review in terms of the availability of human resource management positions and the necessary qualifications for obtaining a position?*

The type of HR jobs that are advertised in the *Wall Street Journal* and *HR Magazine* will likely be senior level positions requiring considerable experience and education. The compensation offered is probably very competitive for management jobs. The Sunday edition of a large city newspaper may contain advertisments for all HR jobs, although experience will likely be required. Information regarding entry-level HR positions will likely be found through using the university placement center or through contacts in the business community.

*1-4.* *The HR functions are highly interrelated. How would a change in one of the following affect the other HR functions?*

*a. Paying the lowest wages in the industry*—A firm that is paying the lowest wages in the industry will likely have to recruit individuals who have limited qualifications and spend money to train them only to have them leave for better opportunities with higher paying competitors.

 *b.* *Being recognized as an industry leader in providing continuous training and development*—Better qualified workers will likely desire to join the firm assuming the pay is competitive. The recruitment process will certainly be easier once the firm becomes recognized for proving continuous training and development.

 *c.* *Having a reputation for providing a work environment that is unhealthy*—Several HR functions will be affected for a company that has a reputation for providing an unhealthy work environment. It will certainly be more difficult to recruit individuals to come to such an environment. In order to entice individuals to this type of environment, compensation will likely have to be higher. Having an unhealthy environment may well trigger a visit from the Occupational Safety and Health Administration. Finally, workers may believe that the only way to overcome this unhealthy work environment is to form a union.

*1-5.* *Corporate culture is discussed throughout your text as having a significant impact on HR tasks. How might the following cultures affect the five HR functions?*

*a.* *Employees generally believe that this is a fun place to work*—In such an environment workers enjoy going to work each day. This form of corporate culture promotes productivity. There is likely to be low turnover in such a positive environment.

 *b.* Management *generally has the attitude that “It’s my way. Don’t question me.”*—With such an attitude, creativity is stifled and workers tend to do only those tasks that they are told to do. Often your best and most productive employees will take a position with another firm that provides a better work environment.

 *c.* *Rewards are available for productive, hardworking employee*s—Most organizations would like to develop such an environment. In such an environment it is easier to retain your most productive employees. Less productive employees will tend to leave or be forced to leave the firm. It is a win-win situation for both employees and the organization.

**ANSWERS TO CHAPTER 1 QUESTIONS FOR REVIEW**

* 1. *Define* *human resource management*. *What human resource management functions must be performed regardless of the organization’s size?*

**Human resource management**is the utilization of a firm’s human resources to achieve organizational objectives. The following functions are necessary for any size organization.

 **Staffing**: Process through which an organization ensures that it always has the proper number of employees with the appropriate skills in the right jobs, at the right time, to achieve organizational objectives.

 **Human resource development**: Major HRM function consisting not only of training and development but also of career planning and development activities, organization development, and performance management and appraisal.

 **Compensation**: Compensation includes all rewards individuals receive as a result of their employment. The reward may be one or a combination of the following:

* + **Direct financial compensation**: Pay that a person receives in the form of wages, salaries, commissions, and bonuses.
	+ **Indirect financial compensation (Benefits)**: All financial rewards that are not included in direct compensation such as paid vacations, sick leave, holidays, and medical insurance.
	+ **Nonfinancial compensation**: Satisfaction that a person receives from the job itself or from the psychological and/or physical environment in which the person works.

 **Safety and health**: Safety involves protecting employees from injuries due to work-related accidents. Health refers to the employees’ freedom from illness, and their general physical and mental well-being.

 **Employee and labor relations**: Even with the projected decline in union membership, a business firm is required by law to recognize a union, and bargain with it in good faith, if the firm’s employees want the union to represent them.

* 1. *What are the environmental factors that affect HRM? Describe each.*
* **Legal considerations**: Another significant external force affecting human resource management relates to federal, state, and local legislation, and the many court decisions interpreting this legislation. In addition, many presidential executive orders have had a major impact on human resource management.
* **Labor market**: Potential employees located within the geographic area from which employees are normally recruited.
* **Society**: Society may also exert pressure on human resource management. If a firm is to remain acceptable to the general public, it must be capable of accomplishing its purpose in line with societal norms.
* **Political parties**: There are two major political parties in the United States. These parties often have differing opinions on human resource topics.
* **Unions**: Group of employees who have joined together for the purpose of dealing collectively with their employer.
* **Shareholders**: Owners of a corporation. Because shareholders have invested money in a firm, they may at times challenge programs considered by management to be beneficial to the organization.
* **Competition**: For a firm to succeed, grow, and prosper, it must be able to maintain a supply of competent employees. Other organizations are also striving toward that objective.
* **Customers**: Because sales are critical to the firm’s survival, management has the task of ensuring that its employment practices do not antagonize members of the market it serves.
* **HR** <H2>**technology**: The development of technology has created new roles for HR professionals but also places additional pressures on them to keep abreast of the technology. With the increased sophistication of technology has come the ability to design more useful human resource information systems (HRIS).
* **Economy**: The economy of the nation—on the whole—and of its various segments is a major environmental factor affecting human resource management. As a generalization, when the economy is booming, it is often more difficult to recruit qualified workers. On the other hand, when a downturn is experienced, more applicants are typically available.
* **Unanticipated events**: Occurrences in the external environment that could not be foreseen such as a significant weather event.

*1-8.* *How might mobile HR affect the various HR functions?*

There is no doubt that mobile HR is truly the trend of the future. There are many advantages to using mobile HR, but the most important benefit is that it lets HR professionals accomplish their tasks in a quicker and more efficient manner. Cloud computing can change the way HR work is performed as secure access to applications can happen anywhere. HR professionals are not required to work in their office; HR tasks can be performed anywhere there is a signal. While this will affect all functions of HR, recruitment is likely most affected as social media can be used to build a company’s brand and attract potential employees.

* 1. *Define corporate culture. Explain why corporate culture is a major internal environment factor.*

**Corporate culture** is defined as the system of shared values, beliefs, and habits within an organization that interacts with the formal structure to produce behavioral norms.

Culture gives people a sense of how to behave and what they ought to be doing. Each individual gradually forms such perceptions over a period of time as the person performs assigned activities under the general guidance of a superior and a set of organizational policies. The culture existing within a firm influences the employees’ degree of satisfaction with the job, as well as the level and quality of their performance.

* 1. *This chapter describes HR’s changing role in business. Describe each component that is involved in HRM.*

HR professionals are increasingly taking on the role of a strategic partner with upper management within organizations. To become a strategic partner, HR must understand the company as a whole and build HR systems to support the organization’s strategy. This includes all the functions of HR such as staffing, compensation, performance management, human resource development, safety and health, and labor and employee relations.

* 1. *According to the Small Business Administration what does a a small business need to do before hiring the first employee?*

New small businesses are faced with a host of federal and state government regulatory requirements, tax laws, and compensation demands. The SBA has identified various compliance steps for new small businesses. Before anyone is hired, an Employment Identification Number (EIN) should be obtained. EINs can be acquired [online](http://www.irs.gov/businesses/small/article/0%2C%2Cid%3D102767%2C00.html?cm_sp=ExternalLink-_-Federal-_-Treasury) from the IRS and are needed to report taxes as well as information about new employees to state government. Then, procedures for withholding taxes should be made**.** The IRS requires that businesses keep [records of employment taxes](http://www.irs.gov/businesses/small/article/0%2C%2Cid%3D98548%2C00.html?cm_sp=ExternalLink-_-Federal-_-Treasury) for at least four years. This includes employee wages, tips, and sickness records, as well as employee tax withholding certificates.

Verification of eligibility to work is required for new employees within three days of the hire date. An [Employment Eligibility Verification Form](http://www.uscis.gov/portal/site/uscis/menuitem.5af9bb95919f35e66f614176543f6d1a/?vgnextoid=31b3ab0a43b5d010VgnVCM10000048f3d6a1RCRD&vgnextchannel=db029c7755cb9010VgnVCM10000045f3d6a1RCRD&cm_sp=ExternalLink-_-Federal-_-DHS) I-9 must be completed. Also all employers are required to report newly hired and re-hired employees to a state directory within 20 days of their hire or rehire date.

Workers’ compensation insurance should then be obtained. Any business that hires employees must carry this insurance. A new business should also register for unemployment insurance tax.Small businesses may also be required to pay unemployment insurance tax. New companies should also check to see if they are required to purchase disability insurance. Some states require employers to provide partial wage replacement insurance coverage to eligible employees for non-work related sickness or injury.

Laws also require that the business prominently display posters that inform employees of their rights and the small business’s responsibilities to them under labor laws. New employers now have different and new federal and state tax filing requirements that apply.

Once the above discussed tasks have been completed, new small businesses can focus on creating a fulfilling, safe, and fair workplace.

* 1. *What are the various designations associated with human resource management?*
* **Executive**: Top-level manager who reports directly to a corporation’s chief executive officer or to the head of a major division.
* **Generalist**: Person who may be an executive and performs tasks in a variety of HR-related areas.
* **Specialist**: Individual who may be an HR executive, a human resource manager, or a nonmanager, and who is typically concerned with only one of the five functional areas of human resource management.
	1. *What has been the evolution of human resource management?*

Traditionally, separate functions such as staffing, training and development, compensation, safety and health, and labor relations (if the firm was unionized) were created and placed under the direction of a human resource manager or executive. Large firms might have had a manager and staff for each HR function that reported to the HR executive. The HR vice president worked closely with top management in formulating corporate policy.

Today, the person or persons who perform HR tasks is certainly different than it was even a decade ago. As more and more companies use alternative means to accomplish HR tasks, the role of the traditional HR manager is diminishing. HR must now enter into the business of strategic HR, focus more on the bottom line of the organization, and leave the more administrative tasks to technology or others.

* 1. *Explain the differences between* capital *and* human capital.

Capital includes factors that enable companies to generate income, increase company stock prices, economic value, strong brand identity, and reputation. Human capital as defined by economists, refers to sets of collective skills, knowledge, and ability that employees can apply to create economic value for their employers.

* 1. *Define* *profession.* *Do you believe that the field of human resource management is a profession? Explain your answer.*

**Profession**is a vocation characterized by the existence of a common body of knowledge and a procedure for certifying members. Performance standards are established by members of the profession rather than by outsiders; that is, the profession is self-regulated. Most professions also have effective representative organizations that permit members to exchange ideas of mutual concern. These characteristics apply to the field of human resources, and several well-known organizations serve the profession.

 **DISCUSSION OF CHAPTER 1 INCIDENTS**

**HRM Incident 1: HR after a Disaster**

After Hurricane Rita struck Lake Charles, in southwest Louisiana, many businesses wondered if they would ever return to their former selves. Massive destruction was everywhere. Lake Charles, known for its large and beautiful oak and pine trees, now had the job of removing those downed trees from homes, businesses, and lots. You could see for miles through what used to be thick forests. Huge trucks designed for removing massive tree trunks were everywhere. While driving down a street, downed trees could be seen stacked two stories high, waiting to be picked up. The town grew rapidly in size because of the increased number of repair crews working on recovery operations. The noise created by their chain saws could be heard from daylight until dark. The sounds of hammers were everywhere as homeowners scrambled to get their roofs repaired. Often repair crews would just find an empty lot and set up tents for the night because all motels were full. Traffic was unbelievably slow, and it appeared as if everyone was attempting to get on the road at the same time. Just driving from Point A to Point B could often be quite an adventure. As might be expected in conditions such as these, accidents were numerous. Often police did not have the resources to ticket every fender bender, so unless there were injuries, insurance cards were exchanged and the police went on to the next accident.

Months after Hurricane Rita struck, large and small businesses were still frantically trying to find workers so they could start up again. It appeared that every business in the town had a “Help Wanted” sign out front. Individuals who wanted a job could get one and could command a premium salary. Walmart, known for remaining open 24 hours a day, could only stay open on an abbreviated schedule. Employers often had to bus employees from locations not affected by the hurricane each morning and return them at night because there were not enough workers available in the local area. Restaurants that normally remained open late into the evening closed at 6:00 p.m., if they opened at all. Compensation scales that were in use prior to the hurricane~~s~~ had to be thrown out and new plans implemented. Minimum-wage jobs were nonexistent. Employees who earned minimum wage before the storm could now command $10 per hour just for being a flagger (a person who directs traffic). Fast-food restaurants that normally paid minimum wage now paid $10 or $11. Burger King was even offering a $1,500 bonus for entry-level workers. Upscale restaurants that normally paid minimum wage plus tips now paid premium rate plus tips. Restaurants that remained open often had a much younger staff and it was evident that the managers and assistant managers were working overtime to train these new workers. Restaurant patrons had to learn patience because there would be mistakes by these eager, but largely untrained workers.

**Questions**

*1-16.* *Which environment factor(s) did Hurricane Rita affect? Discuss.*

Certainly the primary external environment factor was unanticipated events. Hurricane Rita could not have been foreseen although disaster planning could overcome many of the problems.

Several external environmental factors resulted from the hurricane. The labor market experienced considerable change. Remember that restaurants were having difficulty in hiring experienced workers and many of the servers had to be trained. Some customers were having difficulty in receiving supplies from producers in the area. Technology was affected as cell phone towers had been destroyed in the area and it was difficult to communicate. To complicate the situation, land lines were also down. The economy took an initial beating from the storm, but the ultimate economic stimulus produced powerful results that continue today.

*1-17.* *How were the HR functions affected by Hurricane Rita?*

Virtually every area of HR was affected when Hurricane Rita struck. Businesses were desperately trying to staff their business. Compensation systems had to be significantly altered. There were many untrained workers so the training function continued. Safety issues were everywhere.

*1-18.* *Do you believe that the HR situation described regarding Hurricane Rita would be typical in a disaster? Explain*.

Certainly there can be some degree of planning for a disaster. But it is unlikely that all events can be anticipated. At times, managers just have to react to occurrences and hope that the proper decision is being made.

**HRM Incident 2: Downsizing**

As the largest employer in Ouachita County, Arkansas, International Forest Products Company (IFP) is an important part of the local economy. Ouachita County is a mostly rural area in south central Arkansas. It employs almost 10 percent of the local workforce, and few alternative job opportunities are available in the area.

Scott Wheeler, the human resource director at IFP, tells of a difficult decision he once had to make. According to Scott, everything was going along pretty well despite the economic recession, but he knew that sooner or later the company would be affected. “I got the word at a private meeting with the president, Janet Deason that we would have to cut the workforce by 30 percent on a crash basis. I was to get back to her within a week with a suggested plan. I knew that my plan would not be the final one, since the move was so major, but I knew that Ms. Deason was depending on me to provide at least a workable approach.

“First, I thought about how the union would react. Certainly, workers would have to be let go in order of seniority. The union would try to protect as many jobs as possible. I also knew that all of management’s actions during this period would be intensely scrutinized. We had to make sure that we had our act together.

“Then there was the impact on the surrounding community to consider. The economy of Ouachita County had not been in good shape recently. Aside from the influence on the individual workers who were laid off, I knew that our cutbacks would further depress the area’s economy. I knew that there would be a number of government officials and civic leaders who would want to know how we were trying to minimize the harm done to the public in the area.

“We really had no choice but to make the cuts, I believed. First of all, I had no choice because Ms. Deason said we were going to do it. Also, I had recently read a news account that one of our competitors, Johns Manville Corporation in West Monroe, Louisiana, had laid off several hundred workers in a cost-cutting move. To keep our sales from being further depressed, we had to ensure that our costs were just as low as those of our competitors. The wood products market is very competitive and a cost advantage of even 2 or 3 percent would allow competitors to take many of our customers.

“Finally, a major reason for the cutbacks was to protect the interests of our shareholders. A few years ago a shareholder group disrupted our annual meeting to insist that IFP make certain antipollution changes. In general, though, the shareholders seem to be more concerned with the return on their investments than with social responsibility. At our meeting, the president reminded me that, just like every other manager in the company, I should place the shareholders’ interests above all else. I really was quite overwhelmed as I began to work up a personnel plan that would balance all of these conflicting interests.”

**Questions**

*1-19.* *How might each HR function be affected by the reduction in force? Remember that all employees at IFP are not members of the union.*

The union function of the organization will be most significantly impacted by the reduction in force. In a union environment, workers will be laid off based on seniority as defined in the labor-management agreement. Nonunion employees will likely be laid off based on the results of their performance appraisal evaluations and the needs of the company. Thus, the performance management function is central to the reduction in force. In the interest of cost cutting, Scott will also need to examine all components of compensation. The human resource development function may also be affected as some workers may need training to take on other roles as employees are let go.

*1-20.* *List the elements in the company’s environment that will affect Scott’s suggested plan. How legitimate is the interest of each of these?*

All of the elements are legitimate, of course. The local government has a right to consideration, not only because it represents the public, but because it can affect the company’s future. The union must represent the employees but also has a right to try to sustain itself as an institution. The surrounding community is already in difficult straits and will be hurt by layoffs. Competitors have no legitimate claim for consideration, except to the extent that their price-cutting activities tend to force cost-cutting moves at International Forest Products. The shareholders’ interests have traditionally been considered to be the primary concern of management.

*1-21.* *Is it true that Scott should be concerned first and foremost with protecting the interests of the shareholders? Discuss.*

Scott has been told that this should be his foremost concern, and he probably has no real choice but to comply. Still, the trend in management is to recognize a variety of interests as legitimate, so Scott is certainly justified in attempting to balance the conflicting interests rather than considering only the shareholders.

*1-22.* *Corporate culture is discussed in this chapter as a major internal environmental factor affecting an organization. How might the downsizing of International Forest Products affect the corporate culture of the company?*

There is no doubt that an immediate effect of the downsizing will be on the morale of the remaining workers. Even those who remain may wonder what will occur at a later time. Hopefully workers will ultimately realize that the downsizing was necessary to ensure the continued success of the organization.