CHAPTER 1

Human Resource Management in Organizations

CHAPTER SUMMARY

Chapter 1 provides an overview of human resource management in today’s organizations. First, the chapter defines human resource management and human capital. It describes how human resource management and employees can be core competencies for organizations. It explains the seven human resource management functions and the three roles of human resource departments. Human resource management faces challenges, which are discussed next. The role of ethics in human resources is examined. Finally, the necessary competencies for human resource personnel are identified.

Learning Objectives

After students have read this chapter, they should be able to:

* Understand human resource management and define human capital.
* Identify how human resource management and employees can be core competencies for organizations.
* Name the seven categories of HR functions.
* Provide an overview of four challenges facing HR today.
* Explain how ethical issues in organizations affect HR management.
* Explain the key competencies needed by HR professionals and why certification is important.

The chapter opens with a feature describing the current trends in human resource management. Trends include developing human capital, globalization and diversity, technology, and ethics.

LeCture Outline

HR Headline: Entrepreneurial HR Culture at MGM Resorts International

MGM Resorts International, a Las Vegas–based gaming organization, relies on an entrepreneurial approach to foster innovation in its employees. This approach, which includes focus groups and information sharing, encourages employees to ask questions and develop ideas that improve company operations.

1-1. What is Human Resource Management?

*Human resource management* is designing formal systems in an organization to manage human talent for accomplishing organizational goals.

1-1a. Why Organizations Need HR Management

The same HR issues must be managed in every organization. In large organizations, HR specialists form the HR department.

Attitude toward HR can be positive or negative.

**Discussion Starter:** Ask students how an HR department can foster a positive image.

The need for HR increases as a company grows.

HR Perspective: Transforming HR at Popeyes Louisiana Kitchen

The HR department at Popeyes has grown and changed over time to meet the company’s needs and focus on corporate strategy. Today, the department handles more issues than it ever has. Servant leadership requires leaders to put the needs of the company and the employees above their own needs. Although the HR personnel face challenges, corporate expectations are high.

1. Given the issues at Popeyes, how would you redesign an HR department in any organization to better tackle a company’s needs?

Answers will vary. Students should determine the company’s needs before changing the HR department’s organization.

2. What needs do you think deserve the most attention given the current trends in HR?

Answers will vary. Students should consider factors such as the economy and the company’s industry.

1-2. Managing Human Resources in Organizations

Human resource management and employees can be core competencies.

1-2a. Human Resource Management as a Core Competency

A *core competency* is a unique capability that creates high value for a company.

HR can be a core competency and a key to a company’s competitive advantage.

1-2b. Employees as a Core Competency

Organizations must manage four types of assets: physical, financial, intellectual property, and human.

*Human capital* is the collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organizational workforce. Human capital is also called *intellectual capital*.

Use valued rewards and “personal value proposition” to manage human capital.

**Teaching Tip:** Figure 1-2 shows that employees can be core competencies in productivity, organizational culture, and customer service.

Productivity is a measure of the quantity and quality of work done, considering the cost of the resources used.

*Unit labor cost*, a way to measure the productivity of human resources, is computed by dividing the average cost of workers by their average levels of output.

**Teaching Tip:** Figure 1-3 identifies four ways to increase employee productivity: organizational restructuring, redesigning work, aligning HR activities, and outsourcing analysis.

Productivity, customer service, and quality affect organizational effectiveness and can be a focus for developing employees as a core competency.

Organizational culture consists of the shared values and beliefs that give members of an organization meaning and provide them with rules for behavior. Culture takes time to develop.

**Discussion Starter:** Ask students to describe the culture at different local or national companies. For example, some companies have a reputation for being a fun place to work.

1-3. HR Management Functions

HR Competencies & Applications: Building Healthy Organizations

Key Competencies: Leadership & Navigation (Behavioral Competency) and Organization (Technical Competency)

The HR department can help the company create positive organizational health to motivate employees and inspire customer loyalty. HR develops policies, such as management development, performance feedback, and rewards, to foster a positive work environment.

1. How would you encourage the CEO and other top leaders to focus their efforts on creating a healthy organization culture? What issues do you think deserve the most attention?

Answers will vary. Students should consider increased profit for a for-profit company or meeting an organization’s mission goals for a nonprofit organization.

2. In addition to the points already mentioned, what steps would you take to develop a healthy organization?

Answers will vary. Students should consider the characteristics of a healthy organization.

HR management is designing the formal systems used to manage people. This yields seven interlocking functions that are influenced by eight external forces—global, environmental, geographic, political, social, legal, economic, and technological forces.

**Teaching Tip:** Use Figure 1-4 to help students visualize the relationship between HR functions and the external factors that affect them.

As shown in Figure 1-4, the set of seven HR functions include (1) HR strategy and planning, (2) equal employment opportunity, (3) staffing, (4) talent management, (5) rewards, (6) risk management and worker protection, and (7) employee and labor relations.

**Teaching Tip:** Explain that each of the seven HR functions is covered in the major sections of the book.

1-4. Roles for Human Resource Departments

HR can play three different roles: administrative, operational and employee advocate, and strategic.

**Teaching Tip:** Use Figure 1-5 to explain that the strategic role has been growing over time and it will continue to become more important in HR departments of the future.

1-4a. Administrative Role for Human Resource

The administrative role involves processing and keeping information.

Two major shifts include the greater use of technology and outsourcing.

1-4b. Operational and Employee Advocate Role for Human Resources

HR has been viewed as an employee advocate because it balances the needs of the employees and the organization.

Operational requires cooperation between HR and various managers.

1-4c. Strategic Role for Human Resources

HR is involved in devising and implementing strategy. A broad business focus helps companies reach their strategic goals.

1-5. Human Resources Management Challenges

HR challenges change as the company and the environment change.

1-5a. Competition, Cost Pressures, and Restructuring

Organizations want to operate in a “cost-less” mode, which means continually looking for ways to reduce costs of all types.

Some occupations are more in demand than others. Over time, the number of jobs changes in specific areas. Figure 1-6 lists occupations that are expected to experience the greatest growth in percentage and numbers by 2022.

**Discussion Starter:** Survey the students in the class to determine the most popular industries. Compare the results to the industries represented by the occupations in Figure 1-6.

Skill shortages exist in specific industries and locations.

1-5b. Globalization

The integration of global operations, management, and strategic alliances has significantly affected HR management. An *expatriate* is a citizen of one country who is working in a second country and employed by an organization headquartered in the first country.

Wages for the same job differ greatly from country to country, as shown in Figure 1-7.

**Teaching Tip:** Wages for the same type of job differ greatly within the same country, between industries, and between companies in the same geographic area as well. Ask students to identify where they think differences exist.

Legal and political factors also affect the amount paid for a job.

A common set of challenges for global companies includes strategy, people, complexity, and risk.

1-5c. A Changing Workforce

The U.S. workforce is more diverse racially and ethnically, has more women in it than ever before, and has older workers.

1-5d. Human Resources and Technology

Technology has affected HR tasks in many ways. Data management, mobile devices, and social media have had the most effect on HR.

**Discussion Starter:** Discuss how information released to the public can affect a company’s actions. For example, an employee’s comment to a group of friends is released on social media and results in the termination of the individual’s employment.

1-6. Organizational Ethics and Human Resource Management

Managers and HR professionals influence the ethics of people in organizations. Establishing HR ethical areas can lead to organizational and individual consequences, as shown in Figure 1-8.

1-6a. Ethical Culture and Practices

An ethical culture in an organization includes a written code, training, advice, and confidential reporting.

HR Ethics: HR Links Employee Volunteering to Social Responsibility

Employee volunteerism occurs when employees work on projects outside the organization to benefit the recipients and address social issues. For example, MTV created a successful volunteer program that helped an organization find jobs for former prison inmates. To be successful, the volunteer program should match employees to volunteer activities. Risks include replacing employees while they volunteer and setting clear guidelines.

1. If you were working as an HR professional, how would you develop an employee volunteer program that would lead to great worker engagement?

Answers will vary. Students should consider factors such as the participation rate and accomplishing business tasks while employees are volunteering.

2. What kinds of activities would you include in an engaging employee volunteer program?

Answers will vary. Students should consider employees’ interests.

1-6b. Ethics and Global Differences

Global employers must comply with both their home-country laws and the laws of other countries.

1-6c. Role of Human Resources in Organizational Ethics

HR management plays a key role as the keeper and voice of organizational ethics. Figure 1-9 identifies some of the most frequently encountered ethical issues.

The Sarbanes-Oxley (SOX) Act ensures that publicly traded companies follow accounting controls.

1-7. Human Resources Management Competencies and Careers

A career in HR requires specific competencies and certifications.

1-7a. Human Resource Competencies

HR professionals at all levels need to understand strategic management; legal, administrative, and operational issues; and the use of technology.

The Society of Human Resource Management (SHRM) is the leading professional association for HR. Figure 1-10 provides a summary of the SHRM competency framework.

1-7b. Human Resource Management as a Career Field

Job growth in HR is expected. An *HR generalist* is a person who has responsibility for performing a variety of HR activities. An *HR specialist* is a person who has in-depth knowledge and expertise in a specific area of HR.

**1-7c.** **Human Resource Professionalism and Certification**

HR organizations include SHRM, the International Personnel Management Association (IPMA), the WorldatWork Association, and the Association for Talent Development (ATD).

HRCI, SHRM, WorldatWork, and other programs offer certifications.

Critical Thinking Challenges

1. Discuss several areas in which HR can affect organizational culture positively or negatively.

Culture can facilitate high employee job performance. Excellent ideas can be enhanced by a culture that is compatible with the needs of the business. This is how culture can be used to create a competitive advantage.

Culture affects service and quality, organizational productivity, and financial results. From a critical perspective, it is the culture of a company that affects the attraction and retention of competent employees. Aligning the culture with what management is trying to accomplish also determines the health of an organization by creating an environment that capitalizes on human capital strengths.

2. Give some examples of ethical issues that you have experienced in jobs and explain how HR did or did not help resolve them.

Answers will vary. Students might give examples that include illegal activities, such as employee theft, or other activities, such as favoritism or dishonesty. Whether HR helped to resolve these examples will vary based on the examples and the organizations.

3. Why is it important for HR management to transform from being primarily administrative and operational to a more strategic contributor?

In for-profit companies, the HR group can develop policies that place the right people in the right jobs at the right times to ensure that goals are being met. In not-for-profit organizations such as governmental and social service entities, HR leaders can manage employees in a business-like manner to accomplish other functional goals. Overall, instead of just understanding HR issues and concerns, HR staff should have a broad business focus to help companies reach their strategic goals.

4. Assume you are an HR Director with a staff of seven people. A departmental objective is for all staff members to become professionally certified within a year. Using the Internet resources of HR associations, such as [www.shrm.org](http://www.shrm.org) and [www.WorldatWork.org](http://www.WorldatWork.org), develop a table that identifies four to six certifications that could be obtained by your staff members and show the important details for each certification.

Answers will vary depending on the certifications selected. Details can include the name of the organization, the name of the certificate, the requirements, the certification process, and a website address for more information.

5. Your company, a growing firm in the financial services industry, is extremely sensitive to the issues surrounding business ethics. The company wants to be proactive in developing a business ethics training program for all employees, both to ensure the company’s reputation as an ethical organization in the community and to help maintain the industry’s high standards. As the HR Director and someone who values the importance of having all employees trained in the area of business ethics, you are in charge of developing the ethics training program. It needs to be a basic program that can be presented to all employees in the company. Resources for business ethics information can be found at [www.business-ethics.org/](http://www.business-ethics.org/).

A. What legislative act prompted many U.S. companies to develop internal ethical policies and procedures?

The Sarbanes-Oxley Act (SOX) was passed in 2002 by Congress to make certain that publicly traded companies follow accounting controls that could reduce the likelihood of illegal and unethical behaviors.

B. What are key concepts related to business ethics that should be considered in the development of the ethics training program?

When the following programs exist, an ethical culture often develops, and ethical behavior is encouraged:

* A written code of ethics and standards of conduct
* Training on ethical behavior for all executives, managers, and employees
* Advice to employees on ethical situations they face, often given by HR
* Systems for confidential reporting of ethical misconduct or questionable behavior

Case: Water Quality Association: Building Competencies with Technology

This case describes the use of experiential and informal mobile technology by a trade association that focuses on the delivery of drinking water to residents and businesses. Apprenticeship 3.0 delivers a series of learning modules to employees and tracks their progress.

1. How did the Water Quality Association’s use of technology help enhance how employees acquired important work competencies? Can you think of any other mobile technology applications that might be used to enhance WQA’s learning activities?

Answers will vary. Students should consider the value of reinforcing skills, tracking progress, rewarding activity completion, and the use of mobile technology in training.

Suggestions for additional mobile technology applications will vary. One example could be a “help desk” that is available via mobile technology that suggests troubleshooting techniques for employees who go to customer sites.

2. What is your opinion of Apprenticeship 3.0? Is it an approach that you would consider using as an HR manager, or does it need further development?

Answers will vary. A drawback could be the lack of interaction with another person, which could hamper an employee who learns best through interaction with other people rather than technology.

Supplemental Cases

Rio Tinto: Redesigning HR

This case describes a company that must reduce its workforce due to the 2008 global recession. The approach used was global in nature, and downsizing efforts were highly coordinated and consistent across all areas of the business. (For the case, go to www.cengage.com/management/mathis or visit the instructor companion website.)

1. How did Rio Tinto’s revamping of HR help with minimizing the potential problems with the reduction in force? What role would an HRIS (also called a Human Resource Information System) have to play in managing an RIF?

By following a common approach using regional severance policies, a comprehensive database, and measurement tools to track the impact of the redirections, Rio Tinto managed to implement the RIF in an efficient, ethical, and sensitive manner. Having moved the HR professionals across product groups, locations, and assignments, the company fostered a more consistent culture, which helped the HR managers to recognize and follow consistent policies and standards for the whole company. Bringing together disparate HR departments across multiple business units increased speed and lowered costs.

HRIS would play a very important role in the event of downsizing. The presence of HRIS improves the efficiency with which the data on employees and HR activities are compiled. It would help the HR department to administrate efficiently and communicate quickly to the employees. Also, while planning an RIF, strategic HR planning is required to carry out the downsizing ethically and to avoid facing any legal challenges later, for example, discrimination. Having accessible data enables HR planning and managerial decision making to be based to a greater degree on information rather than relying on managerial perceptions and intuition, making it more effective.

2. Without a consistent philosophy, policies, and approaches to reduction in force (or any other disruptions in the future) what would the likely reactions from employees be?

When a company is downsized without proper plans, philosophy, and policies in place, it might lead to increased workloads and loss of loyalty, morale, and motivation among the remaining employees. Employees who have been terminated may deem their termination unfair and unethical and may form a bad opinion about the company.

Phillips Furniture

This case describes a small company that has grown large enough to need a full-time HR person. You have been selected to be the HR Manager, and you have to decide what HR activities are needed and the role HR is to play. (For the case, go to www.cengage.com/management/mathis or visit the instructor companion website.)

1. On what activities would you tell Mr. Phillips you intend to focus? Why?

Answers may vary. The issue that needs the most attention is the human capital of the organization. Not having enough quality workers is one of the major problems facing small US businesses. Employees must be fit into the right job, trained, and given feedback if they are to do well. Because there are multiple Philip Furniture stores, care must be taken to see that inventory matters are properly taken care of, and good customer service should be provided to earn future customers and retain current customers. The main tasks are recruiting and training workers to drive up the sales and maintain proper inventory control to keep the business running smoothly.

2. What would be your first actions, and why?

Answers may vary. Because Mr. Phillips has also gained control of Martin Furniture, it is imperative to see that the transition of the employees from Martin Furniture to Phillips Furniture is a smooth one. Proper and adequate training should be provided to help them transition easily and adapt the culture at Phillips Furniture.

**Comments**

This case is quite useful in illustrating that personnel management is important in both small organizations and large corporations. A student should recognize that the interface concept emphasizes the need for the newly appointed personnel manager and the more experienced operating managers to cooperate. A younger and newer person would have to identify the appropriate “division” of personnel responsibilities that would be consistent with maintaining the cooperation and support of the other managers in the firm.

Identification of the correct state of personnel activities in each of the seven interfaces would be mandatory before definite actions and changes could be initiated. Winning acceptance as a valuable aide, not an adversary, would be critical if future problems are to be minimized.

Sysco

Large food services and distribution firm Sysco had to revise its HR management. Review this case and identify how the changes at Sysco modified HR’s importance. (For the case, go to [www.cengage.com/management/mathis](www.cengage.com/management/mathis%20) or visit the instructor companion website.)

1. How does the market-driven approach illustrate that HR has strategic, operational, and administrative roles at Sysco?

The administrative role is heavily oriented to processing and record keeping. When Sysco’s HR staff enters data into the Virtual Resource Center (VRC) and when they use technology to calculate cost/benefit analyses, they are performing the administrative role.

The operational role emphasizes support for executives, managers, and employees when addressing and resolving HR problems and issues. When Sysco’s corporate HR identified ways it could assist regional operations, and then developed programs and services that met regional needs, they were performing the operational role. Sysco’s HR was also performing the operational role when they worked with the operational managers of the warehouse workers and the truck and delivery drivers to reduce turnover in those operational areas.

The strategic role focuses on the long-term implications of HR issues and is closely linked to the strategic plans of the organization. When Sysco’s corporate HR conducts workplace climate surveys of employees, they are involved in scanning the internal environment to provide data to help upper-level managers make strategic decisions.

2. Discuss what types of HR changes could have affected reductions in workers’ compensation expenses, employee turnover, and increases in customer satisfaction.

The types of HR changes that could have affected reductions in workers’ compensation expenses, employee turnover, and increases in customer satisfaction include:

* Collection of better data to track workers’ compensation claims
* Improvement in safety training to reduce workers’ compensation claims
* Better recruitment and selection to match the job to the worker
* Better training and development efforts
* Better employee relations that makes the employee feel valued by the organization
* More competitive base pay and incentive programs
* More effective orientation programs for new employees

HR, Culture, and Success at Google, Scripps, and UPS

This case describes HR’s role in the culture of three different companies. HR’s contribution to organizational success in each case can be identified and further researched. (For the case, go to www.cengage.com/management/mathis or visit the instructor companion website.)

1. How does the integration of HR with the organizational culture contribute to the success of Google, Scripps, and UPS? To find ideas, go to the appropriate corporate website for each of them and then search for additional insights.

Overall, HR departments at all three of these companies have integrated HR operations that are in sync with their culture and HR is considered a strategic partner that will help the organization meet organizational strategic objectives.

Google—the overriding key of HR at Google is its emphasis on organizational culture and business objectives. Google HR focuses on giving its employees flexibility to produce results, not just following core job requirements. HR at Google has established innovative efforts for its people and made the administrative part of HR efficient. Minimizing forms, data, and reports by using technology have occurred, which would be expected in a technology firm.

Scripps Network (a prominent TV and communications corporation)—HR at Scripps plays a core role in establishing strategic goals. HR has played a major role in getting multiple cultures to integrate when the organization has merged separate media firms. A pay-for-performance system that provides incentives is used to support the culture and core values. HR at Scripps also emphasizes leadership development and the firm has widely used work variability efforts such as work-life balance and telecommuting.

UPS—HR at UPS is linked with business objectives and uses communication and intranet programs to ensure employees are kept constantly informed on business objectives and workforce challenges. HR also plays a major role in promoting corporate integrity. Established codes of conduct are consistently reviewed with all employees and include specific examples of actual potential situations employees may face.

2. Discuss how some of the culture facets mentioned compare to ones in employers you have worked for and explain the difference in the views of those employers.

Answers will vary but most students probably have not had a chance to work for companies with the reputation of Google, Scripps, and UPS.