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Introduction to Human Resource Management

Source: Paul Beaty/AP Images.



LEARNING OBJECTIVES

1. Explain what human resource management is and how it relates to the management process.
2. Show with examples why human resource management is important to all managers.
3. Illustrate the human resources responsibilities of line and staff (HR) managers.
4. Briefly discuss and illustrate each of the important trends influencing human resource management.
5. List and briefly describe important traits of today's human resource managers.
6. Define and give an example of evidence-based human resource management.
7. Outline the plan of this book.

Most L.L.Bean customers find its customer service staff to be knowledgeable, helpful, and understanding. Its managers know that courteous, expert workers are the key to such customer service, and that it takes the right human resource practices to attract and cultivate such employees. The company knows what it's looking for. Its Web site says candidates should be Friendly, Dependable, Helpful & Authentic; Trustworthy & Honest; Experienced & Innovative; Outdoor Oriented & Environmentally Aware; and want to have Fun.¹ The company uses an array of human resource practices, including competitive pay, cash performance bonuses, multiple medical and insurance plans, and "outdoor experience days" to attract and cultivate such employee behaviors.² The success of L.L.Bean's customer service strategy depends on its human resource management practices.

Access a host of interactive learning aids at www.mymanagementlab.com to help strengthen your understanding of the chapter concepts.



WHERE ARE WE NOW . . .

The purpose of this chapter is to explain what human resource management is, and why it's important to all managers. We'll see that human resource management activities such as hiring, training, appraising, compensating, and developing employees are part of every manager's job. And we'll see that human resource management is also a separate function, usually with its own human resource or "HR" manager. The main topics we'll cover include the meaning of human resource management; why human resource management is important to all managers, global and competitive trends, human resource management trends, and the plan of this book. The framework above (which introduces each chapter) makes this point: That the firm's HR policies and practices should produce the employee skills and behaviors the company needs to achieve its strategic aims.

- 1 Explain what human resource management is and how it relates to the management process.

WHAT IS HUMAN RESOURCE MANAGEMENT AND WHY IS IT IMPORTANT?

What Is Human Resource Management?

L.L.Bean is an *organization*. An **organization** consists of people with formally assigned roles who work together to achieve the organization's goals. A **manager** is the person responsible for accomplishing the organization's goals, who does so by managing the efforts of the organization's people.

Most experts agree that *managing* involves five functions: planning, organizing, staffing, leading, and controlling. In total, these functions represent the **management process**. Some of the specific activities involved in each function include:

- **Planning.** Establishing goals and standards; developing rules and procedures; developing plans and forecasting.
- **Organizing.** Giving each subordinate a specific task; establishing departments; delegating authority to subordinates; establishing channels of authority and communication; coordinating subordinates' work.
- **Staffing.** Determining what type of people you should hire; recruiting prospective employees; selecting employees; training and developing employees; setting performance standards; evaluating performance; counseling employees; compensating employees.
- **Leading.** Getting others to get the job done; maintaining morale; motivating subordinates.
- **Controlling.** Setting standards such as sales quotas, quality standards, or production levels; checking to see how actual performance compares with these standards; taking corrective action, as needed.

In this book, we are going to focus on one of these functions—the staffing, personnel management, or *human resource management (HRM) function*. **Human resource management** is the process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health and safety, and fairness concerns. The topics we'll discuss should therefore provide you with the concepts and techniques you need to perform the “people” or personnel aspects of your management job. These include:

- *Conducting job analyses* (determining the nature of each employee's job)
- *Planning labor needs and recruiting* job candidates
- *Selecting* job candidates
- *Orienting and training* new employees
- *Managing wages and salaries* (compensating employees)
- *Providing incentives and benefits*
- *Appraising performance*
- *Communicating* (interviewing, counseling, disciplining)
- *Training and developing* managers
- *Building employee commitment*

And what a manager should know about:

- Equal opportunity and affirmative action
- Employee health and safety
- Handling grievances and labor relations

2 Show with examples why human resource management is important to all managers.

Why Is Human Resource Management Important to All Managers?

These concepts and techniques important to all managers for several reasons.

AVOID PERSONNEL MISTAKES First, having a command of this knowledge will help you avoid the sorts of personnel mistakes you *don't* want to make while managing. For example, no manager wants to:

- Hire the wrong person for the job
- Experience high turnover
- Have your people not doing their best
- Waste time with useless interviews
- Have your company taken to court because of your discriminatory actions
- Have your company cited under federal occupational safety laws for unsafe practices
- Have some employees think their salaries are unfair relative to others in the organization
- Allow a lack of training to undermine your department's effectiveness
- Commit any unfair labor practices

Carefully studying this book will help you avoid mistakes like these.

IMPROVE PROFITS AND PERFORMANCE Similarly, effective human resource management can help ensure that you get results—through people. Remember that you can do everything else right as a manager—lay brilliant plans, draw clear organization charts, set up world-class assembly lines, and use sophisticated accounting controls—but still fail, by hiring the wrong people or by not motivating subordinates. On the other hand, many managers—presidents, generals, governors, supervisors—have been successful even with inadequate plans, organizations, or controls. They were successful because they had the knack of hiring the right people for the right jobs and motivating, appraising, and developing them. Remember as you read this book that *getting results* is the bottom line of managing, and that, as a manager, you will have to get those results through people. As one company president summed up:

For many years, it has been said that capital is the bottleneck for a developing industry. I don't think this any longer holds true. I think it's the work force and the company's inability to recruit and maintain a good work force that does constitute the bottleneck for production. I don't know of any major project backed by good ideas, vigor, and enthusiasm that has been stopped by a shortage of cash. I do know of industries whose growth has been partly stopped or hampered because they can't maintain an efficient and enthusiastic labor force, and I think this will hold true even more in the future.³

Indeed, we'll see that because of global competition, technological advances, and the changing nature of work, that president's statement has never been truer than it is today.

organization

People with formally assigned roles who work together to achieve the organization's goals.

manager

The person responsible for accomplishing the organization's goals, and who does so by managing (planning, organizing, staffing, leading, and controlling) the efforts of the organization's people.

management process

The five basic functions of planning, organizing, staffing, leading, and controlling.

human resource management (HRM)

The process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health and safety, and fairness concerns.

YOU TOO MAY SPEND SOME TIME AS AN HR MANAGER Here is a third reason to be familiar with this book's contents. You may well make a planned (or unplanned) stopover as a human resource manager. For example, Pearson Corporation (which publishes this book) recently promoted the head of one of its publishing divisions to chief human resource executive at its corporate headquarters. After General Motors emerged from bankruptcy a few years ago, it replaced its human resource director with Mary Barra, GM's vice president for global manufacturing engineering, an executive with no human resource management experience.⁴ One survey found that about one-fourth of large U.S. businesses appointed managers with no human resource management experience as their top human resource executives. Reasons given include the fact that these people may give the firms' HR efforts a more strategic emphasis, and the possibility that they're sometimes better equipped to integrate the firm's human resource efforts with the rest of the business.⁵

However, most top human resource executives do have prior human resource experience. About 80% of those in one survey worked their way up within HR.⁶ About 17% of these HR executives had earned the Human Resource Certification Institute's Senior Professional in Human Resources (SPHR) designation, and 13% were certified Professionals in Human Resources (PHR). The Society for Human Resource Management (SHRM) offers a brochure describing alternative career paths within human resource management. Find it at www.shrm.org/Communities/StudentPrograms/Documents/07-0971%20Careers%20HR%20Book_final.pdf.

HR FOR ENTREPRENEURS Finally, another reason to study this book is that you might end up as your own human resource manager. More than half the people working in the United States—about 68 million out of 118 million—work for small firms. Small businesses as a group also account for most of the 600,000 or so new businesses created every year. Statistically speaking, therefore, most people graduating from college in the next few years either will work for small businesses or will create new small businesses of their own. Especially if you are managing your own small firm with no human resource manager, you'll have to understand the nuts and bolts of human resource management.⁷ We'll specifically address HR for entrepreneurs in Chapter 18.

3 Illustrate the human resources responsibilities of line and staff (HR) managers.

Line and Staff Aspects of Human Resource Management

All managers are, in a sense, human resource managers, because they all get involved in recruiting, interviewing, selecting, and training their employees. Yet most firms also have human resource departments with their own top managers. How do the duties of this human resource manager and department relate to the human resource duties of sales and production and other managers? Answering this requires a short definition of line versus staff authority.

Authority is the right to make decisions, to direct the work of others, and to give orders. Managers usually distinguish between line authority and staff authority.

In organizations, having what managers call **line authority** traditionally gives managers the right to *issue orders* to other managers or employees. Line authority therefore creates a superior (order giver)—subordinate (order receiver) relationship. When the vice president of sales tells her sales director to “get the sales presentation ready by Tuesday,” she is exercising her line authority. **Staff authority** gives a manager the right to *advise* other managers or employees. It creates an advisory relationship. When the human resource manager suggests that the plant manager use a particular selection test, he or she is exercising staff authority.

On the organization chart, managers with line authority are **line managers**. Those with staff (advisory) authority are **staff managers**. In popular usage, people tend to associate line managers with managing departments (like sales or production) that are crucial for the company's survival. Staff managers generally run departments that are advisory or supportive, like purchasing, and human resource management. Human resource managers are usually staff managers. They assist and advise line managers in areas like recruiting, hiring, and compensation.



Source: Fotolia.

Line authority gives the manager the right to issue orders.

Line Managers' Human Resource Duties

However, line managers still have many human resource duties. This is because the direct handling of people has always been part of every line manager's duties, from president down to first-line supervisors. For example, one major company outlines its line supervisors' responsibilities for effective human resource management under these general headings:

1. Placing the right person in the right job
2. Starting new employees in the organization (orientation)
3. Training employees for jobs that are new to them
4. Improving the job performance of each person
5. Gaining cooperation and developing smooth working relationships
6. Interpreting the company's policies and procedures
7. Controlling labor costs
8. Developing the abilities of each person
9. Creating and maintaining department morale
10. Protecting employees' health and physical condition

In small organizations, line managers may carry out all these personnel tasks unassisted. But as the organization grows, they need the assistance, specialized knowledge, and advice of a separate human resource staff. The human resource department provides this specialized assistance.

Human Resource Manager's Duties

In providing this specialized assistance, the *human resource manager* carries out three distinct functions:

1. **A line function.** The human resource manager directs the activities of the people in his or her own department, and perhaps in related areas (like the plant cafeteria).
2. **A coordinative function.** The human resource manager also coordinates personnel activities, a duty often referred to as **functional authority** (or functional control). Here he or she ensures that line managers are implementing the firm's human resource policies and practices (for example, adhering to its sexual harassment policies).
3. **Staff (assist and advise) functions.** Assisting and advising line managers is the heart of the human resource manager's job. He or she *advises* the CEO so the CEO can better understand the personnel aspects of the company's strategic options. HR *assists* in hiring, training, evaluating, rewarding, counseling, promoting, and firing employees. It administers the various benefit programs (health and accident insurance, retirement, vacation, and so on). It helps line managers comply with equal employment and occupational safety laws, and plays an important role in handling grievances and labor relations. It carries out an

authority

The right to make decisions, direct others' work, and give orders.

line authority

The authority exerted by an HR manager by directing the activities of the people in his or her own department and in service areas (like the plant cafeteria).

staff authority

Staff authority gives the manager the right (authority) to advise other managers or employees.

line manager

A manager who is authorized to direct the work of subordinates and is responsible for accomplishing the organization's tasks.

staff manager

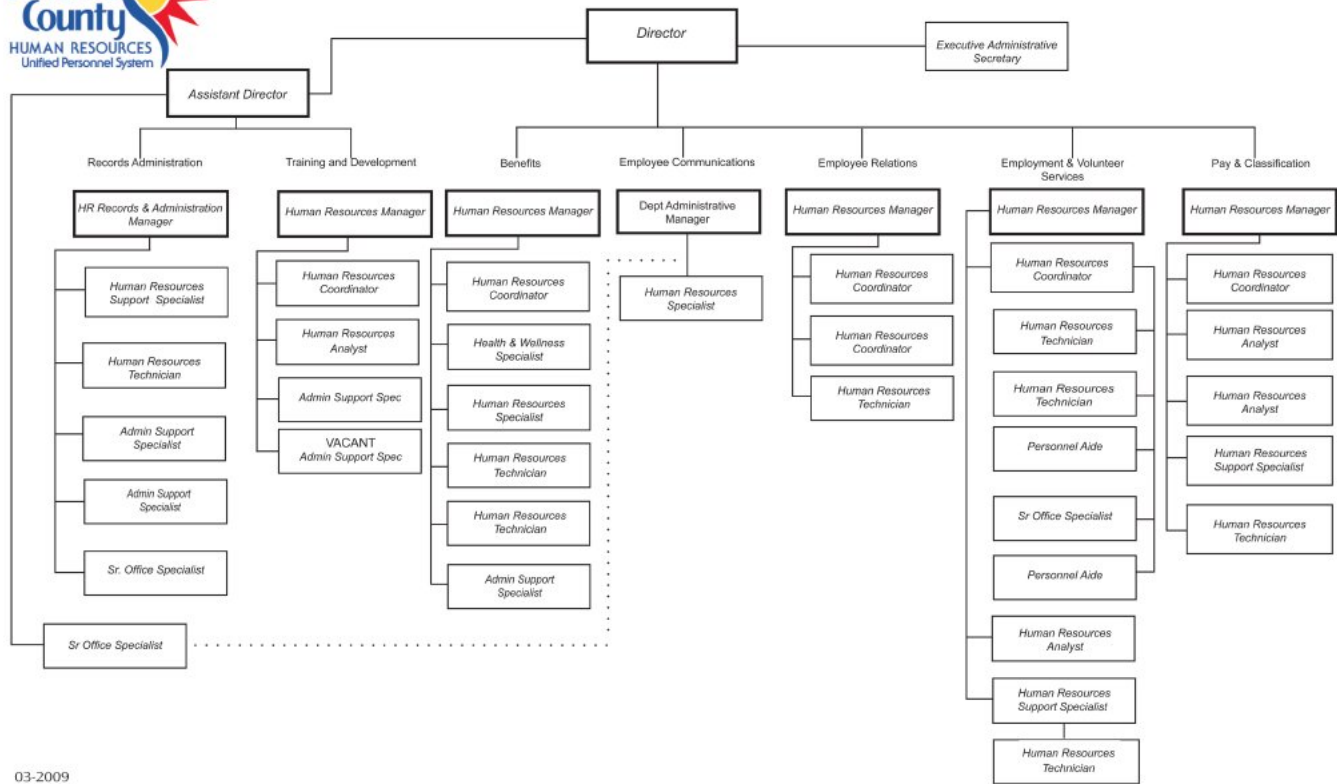
A manager who assists and advises line managers.

functional authority

The authority exerted by an HR manager as coordinator of personnel activities.



HUMAN RESOURCES ORGANIZATION CHART



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FIGURE 1-1 Human Resources Organization Chart

Source: www.co.pinellas.fl.us/persnl/pdf/orgchart.pdf, accessed April 1, 2009. Used with permission of Pinellas County Govt.

innovator role, by providing up-to-date information on current trends and new methods for better utilizing the company's employees (or "human resources"). It plays an *employee advocacy* role, by representing the interests of employees within the framework of its primary obligation to senior management. Although human resource managers generally can't wield line authority (outside their departments), they are likely to exert *implied authority*. This is because line managers know the human resource manager has top management's ear in areas like testing and affirmative action.

The size of the human resource department reflects the size of the employer. For a very large employer, an organization chart like the one in Figure 1-1 would be typical, containing a full complement of specialists for each HR function.

Examples of human resource management specialties include:⁸

- **Recruiters.** Search for qualified job applicants.
- **Equal employment opportunity (EEO) coordinators.** Investigate and resolve EEO grievances; examine organizational practices for potential violations; and compile and submit EEO reports.
- **Job analysts.** Collect and examine information about jobs to prepare job descriptions.
- **Compensation managers.** Develop compensation plans and handle the employee benefits program.
- **Training specialists.** Plan, organize, and direct training activities.
- **Labor relations specialists.** Advise management on all aspects of union–management relations.

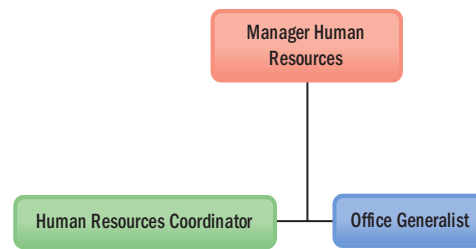


FIGURE 1-2 HR Organization Chart (Small Company)

At the other extreme, the human resource team for a small manufacturer may contain just five or six (or fewer) staff, and have an organization similar to that in Figure 1-2. There is *generally* about one human resource employee per 100 company employees.

New Approaches to Organizing HR

Employers are also offering human resource services in new ways. For example, some organize their HR services around four groups: transactional, corporate, embedded, and centers of expertise.⁹

- The *transactional HR* group uses centralized call centers and outsourcing arrangements (such as with benefits advisors) to provide support for day-to-day transactional activities (such as changing benefits plans and employee assistance and counseling). In one survey, about 75% of respondents said their firms were providing transactional, administrative human resource services through such arrangements.¹⁰
- The *corporate HR* group focuses on assisting top management in “top level” big picture issues such as developing and explaining the personnel aspects of the company’s long-term strategic plan.
- The *embedded HR* unit assigns HR generalists (also known as “relationship managers” or “HR business partners”) directly to departments like sales and production. They provide the localized human resource management assistance the departments need.
- The *centers of expertise* are like specialized HR consulting firms within the company—for instance, they provide specialized assistance in areas such as organizational change.

IBM EXAMPLE Randall MacDonald, IBM’s senior vice president of human resources, noted that the traditional human resource organization often isolates HR functions into “silos” such as recruitment, training, and employee relations. He says this silo approach often means there’s no one team of human resource specialists focusing on the needs of specific groups of employees.

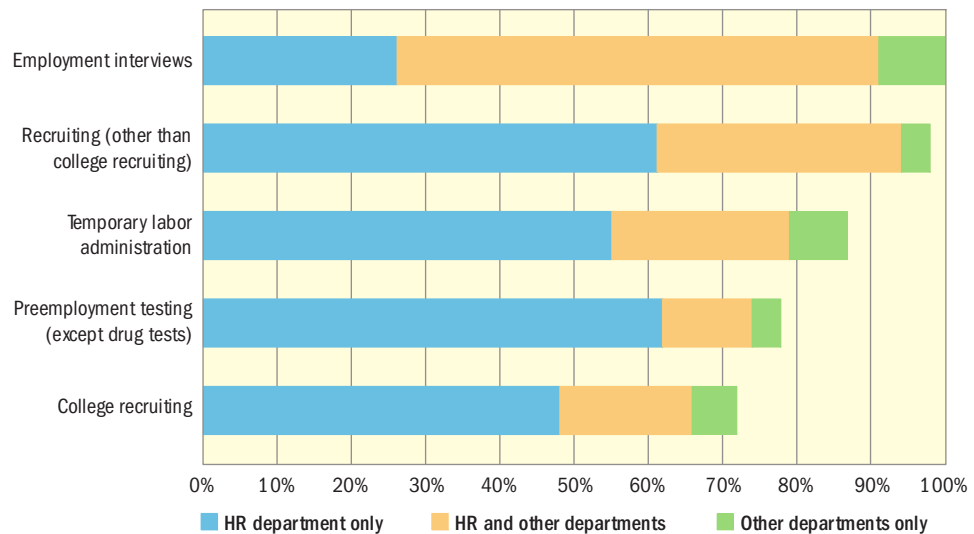
MacDonald therefore reorganized IBM’s human resource function. He segmented IBM’s 330,000 employees into three sets of “customers”: executive and technical employees, managers, and rank and file. Separate human resource management teams (consisting of recruitment, training, and compensation specialists, for instance) now focus on serving the needs of each employee segment. These specialized teams help ensure that the employees in each segment get precisely the talent, learning, and compensation they require to support IBM’s needs.¹¹

Cooperative Line and Staff HR Management: An Example

Because line managers and human resource managers both have human resource management duties, it is reasonable to ask, “Exactly which HR duties are carried out by line managers and which by staff managers?” No one division of responsibilities would apply to all organizations, but we can generalize.

FIGURE 1-3 Employment and Recruiting—Who Handles It? (Percentage of All Employers)

Source: *HR Magazine*, Copyright 2002 by Society for Human Resource Management (SHRM).



The most important generalization is that the line–staff relationship should be cooperative.¹² For example, in recruiting and hiring, the line manager describes the qualifications employees need to fill specific positions. Then the human resource team takes over. They develop sources of qualified applicants, and conduct initial screening interviews. They administer the appropriate tests. Then they refer the best applicants to the line manager, who interviews and selects the ones he or she wants. In training, the line manager again describes what he or she expects the employee to be able to do. Then the human resource team devises a training program, which the line manager then (usually) administers.

Some activities are usually HR's alone. For example, 60% of firms assign to human resources the exclusive responsibility for preemployment testing, 75% assign it college recruiting, and 80% assign it insurance benefits administration. But employers split most activities, such as employment interviews, performance appraisal, skills training, job descriptions, and disciplinary procedures, between HR and line managers.¹³

Figure 1-3 illustrates the typical HR–line management partnership. For example, HR alone typically handles interviewing in about 25% of firms. But in about 60% of firms, HR and the other hiring departments are both involved in interviewing.

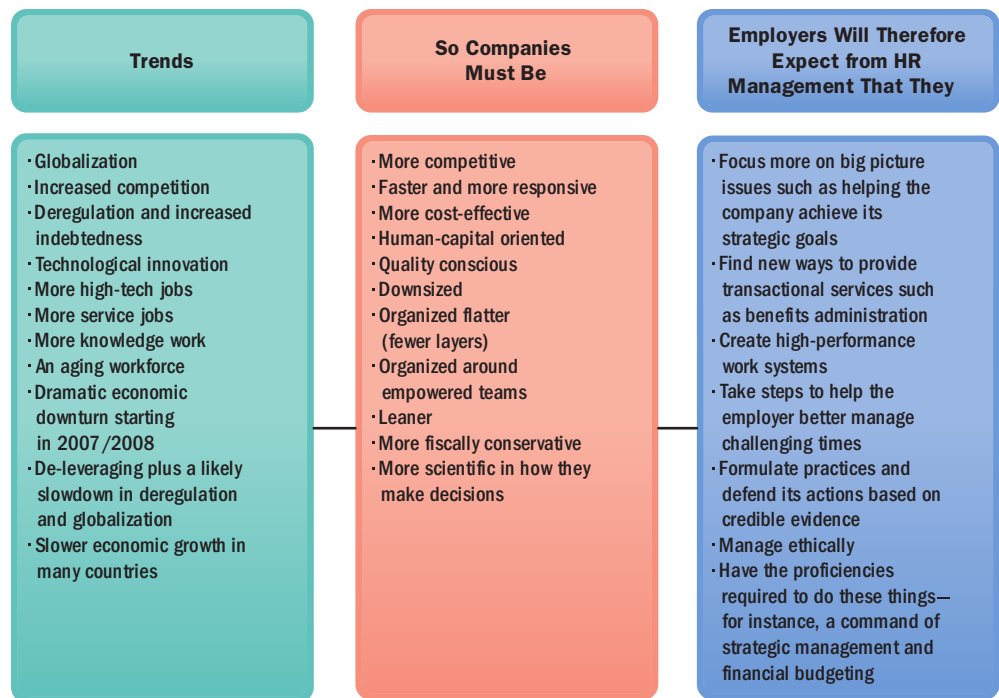
In summary, human resource management is part of every manager's job. Whether you're a first-line supervisor, middle manager, or president—or whether you're a production manager or county manager (or HR manager)—*getting results through people* is the name of the game. And to do this, you will need a good working knowledge of the human resource management concepts and techniques in this book.

4 Briefly discuss and illustrate each of the important trends influencing human resource management.

THE TRENDS SHAPING HUMAN RESOURCE MANAGEMENT

What human resource managers do and how they do it is changing. Some of the reasons for these changes are obvious. One is technology. For example, employers now use their intranets to let employees change their own benefits plans, something they obviously couldn't do years ago. Other trends shaping human resource management include globalization, deregulation, changes in demographics and the nature of work, and economic challenges (summarized in Figure 1-4). Let's look at these trends next.¹⁴

FIGURE 1-4 Trends Shaping Human Resource Management



Globalization and Competition Trends

Globalization refers to the tendency of firms to extend their sales, ownership, and/or manufacturing to new markets abroad. Examples surround us. Toyota produces the Camry in Kentucky, while Dell produces PCs in China. Free trade areas—agreements that reduce tariffs and barriers among trading partners—further encourage international trade. NAFTA (the North American Free Trade Agreement) and the EU (European Union) are examples.

Companies expand abroad for several reasons. *Sales expansion* is one. Walmart is opening stores in South America. Dell, knowing that China will soon be the world's biggest market for PCs, is aggressively selling there.

Firms go abroad for other reasons. Some manufacturers seek *new foreign products* and services to sell, and to *cut labor costs*. Thus, some apparel manufacturers design and cut fabrics in Miami, and then assemble the actual products in Central America, where labor costs are relatively low. Sometimes, it's the prospect of *forming partnerships* that drives firms to do business abroad. When IBM sold its PC division to the Chinese firm Lenovo, it did so partly to cement firmer ties with the booming China market.

For businesspeople, globalization means more competition, and more competition means more pressure to be “world-class”—to lower costs, to make employees more productive, and to do things better and less expensively. As one expert puts it, “The bottom line is that the growing integration of the world economy into a single, huge marketplace is increasing the intensity of competition in a wide range of manufacturing and service industries.”¹⁵ Both workers and companies have to work harder and smarter than they did without globalization.¹⁶

Globalization therefore brings both benefits and threats. For *consumers* it means lower prices and higher quality on products from computers to cars, but for

globalization

The tendency of firms to extend their sales, ownership, and/or manufacturing to new markets abroad.

workers it means the prospect of working harder, and perhaps less secure jobs. *Job offshoring*—having employees abroad do jobs that Americans formerly did—illustrates this threat. For example, in the next few years, many employers plan to offshore even highly skilled jobs such as sales managers, general managers—and HR managers.¹⁷ (On the other hand, what *USA Today* calls “A small but growing band of U.S. manufacturers—including giants such as General Electric, NCR, and Caterpillar” are actually “reshoring” jobs—bringing them back to the United States. Reasons range from rising shipping and labor costs abroad to occasional poor quality goods and intellectual property theft abroad.)¹⁸ For *business owners*, globalization means (potentially) millions of new consumers, but also new and powerful global competitors at home.

For 50 or so years, globalization boomed. For example, the total sum of U.S. imports and exports rose from \$47 billion in 1960, to \$562 billion in 1980, to about \$4.1 *trillion* in 2010.¹⁹ Economic and political philosophies drove this boom. Governments dropped cross-border taxes or tariffs, formed economic “free trade areas” such as NAFTA, and took other steps to encourage the free flow of trade among countries. The fundamental economic rationale was that by doing so, all countries would gain. And indeed, economies around the world, not just in the United States but also in Europe and Asia, did grow rapidly.

Indebtedness (“Leverage”) and Deregulation

Other trends contributed to this economic growth. Deregulation was one. In many countries, governments stripped away regulations. In the United States and Europe, for instance, the rules that prevented commercial banks from expanding into stock brokering were relaxed. Giant, multinational “financial supermarkets” such as Citibank quickly emerged. As economies boomed, more businesses and consumers went deeply into debt. Homebuyers bought homes, often with little money down. Banks freely lent money to developers to build more homes. For almost 20 years, U.S. consumers actually spent more than they earned. On a grander scale, the United States itself increasingly became a debtor nation. Its balance of payments (exports minus imports) went from a healthy positive \$3.5 billion in 1960, to a not-so-healthy *minus* \$19.4 billion in 1980 (imports exceeded exports), to a huge \$497 billion deficit in 2010.²⁰ The only way the country could keep buying more from abroad than it sold was by borrowing money. So, much of the boom was built on debt. By 2011, Standard & Poor’s said it would lower the ratings of U.S. sovereign (treasury) bonds, fearing Washington policymakers could not get a handle on the huge indebtedness. Rating agencies had already lowered their ratings on the bonds of countries such as Japan and Greece.



Source: Digital Vision/Thinkstock.

Many blue-collar workers no longer do hard physical labor with dangerous machinery like this. Instead, as explained in the text, Chad Toulouse spends most of his time as a team leader keying commands into computerized machines.

Technological Trends

Everyone knows that technology changed almost everything we do. We use smartphones and iPads to communicate with the office, and to plan trips, manage money, and look for local eateries. We also increasingly use technology for many human resource management-type applications, such as looking for jobs.

Facebookrecruiting is one example.²¹ According to Facebook’s *Facebookrecruiting* site, employers start the process by installing the “Careers Tab” on their Facebook page. Once installed, “companies have a seamless way to recruit and promote job listings from directly within Facebook.”²² Then, after creating a job listing, the employer can advertise its job link using Facebook Advertisements.

Trends in the Nature of Work

Technology has also had a huge impact on how people work, and therefore on the skills and training today's workers need.

HIGH-TECH JOBS For example, skilled machinist Chad Toulouse illustrates the modern blue-collar worker. After an 18-week training course, this former college student works as a team leader in a plant where about 40% of the machines are automated. In older plants, machinists would manually control machines that cut chunks of metal into things like engine parts. Today, Chad and his team spend much of their time keying commands into computerized machines that create precision parts for products, including water pumps.²³ As the U.S. government's *Occupational Outlook Quarterly* put it, "knowledge-intensive high-tech manufacturing in such industries as aerospace, computers, telecommunications, home electronics, pharmaceuticals, and medical instruments" is replacing factory jobs in steel, auto, rubber, and textiles.²⁴

SERVICE JOBS Technology is not the only trend driving the change from "brawn to brains." Today over two-thirds of the U.S. workforce is producing and delivering services, not products. Between 2004 and 2014, almost all of the 19 million new jobs added in the United States will be in services, not in goods-producing industries.²⁵

Several things account for this.²⁶ With global competition, more manufacturing jobs have shifted to low-wage countries. For example, Levi Strauss, one of the last major clothing manufacturers in the United States, closed the last of its American plants a few years ago.

Furthermore, higher productivity enables manufacturers to produce more with fewer workers. Just-in-time manufacturing techniques link daily manufacturing schedules more precisely to customer demand, squeezing waste out of the system and reducing inventory needs. As manufacturers integrate Internet-based customer ordering with just-in-time manufacturing, scheduling becomes more precise. For example, when a customer orders a Dell computer, the same Internet message that informs Dell's assembly line to produce the order also signals the screen and keyboard manufacturers to prepare for UPS to pick up their parts. The net effect is that manufacturers have been squeezing slack and inefficiencies out of production, enabling companies to produce more products with fewer employees. So, in America and much of Europe, manufacturing jobs are down, and service jobs up.

KNOWLEDGE WORK AND HUMAN CAPITAL In general, the best jobs that remain require more education and more skills. For example, we saw that automation and just-in-time manufacturing mean that even manufacturing jobs require more reading, math, and communication skills.²⁷

For employers this means relying more on knowledge workers like Chad Toulouse, and therefore on *human capital*.²⁸ **Human capital** refers to the knowledge, education, training, skills, and expertise of a firm's workers.²⁹ Today, as management guru Peter Drucker predicted years ago, "the center of gravity in employment is moving fast from manual and clerical workers to knowledge workers."³⁰ Human resource managers now list "critical thinking/problem-solving" and "information technology application" as the two skills most likely to increase in importance over the next few years.³¹ The accompanying HR as a Profit Center feature illustrates how human resource management methods can boost profitability by building and capitalizing on such employee skills.

human capital

The knowledge, education, training, skills, and expertise of a firm's workers.

HR AS A PROFIT CENTER

Boosting Customer Service

A bank installed special software that made it easier for its customer service representatives to handle customers’ inquiries. However, the bank did not otherwise change the service reps’ jobs in any way. Here, the new software system did help the service reps handle more calls. But otherwise, this bank saw no big performance gains.³²

A second bank installed the same software. But, seeking to capitalize on how the new software freed up customer reps’ time, this bank also had its human resource team upgrade the customer service representatives’ jobs. This bank taught them how to sell more of the bank’s services, gave them more authority to make decisions, and raised their wages. Here, the new computer system dramatically improved product sales and profitability, thanks to the newly trained and empowered customer service reps. Today’s employers want and need human resource practices like these that improve employee performance and company profitability.³³

Workforce and Demographic Trends

All of this is occurring along with big changes in workforce and demographic trends.

DEMOGRAPHIC TRENDS Most importantly, the U.S. workforce is becoming older and more multiethnic.³⁴ Table 1-1 provides a bird’s-eye view. For example, between 1998 and 2018, the percent of the workforce that it classifies as “white, non-Hispanic” will drop from 83.8% to 79.4%. At the same time, the percent of the workforce that is black will rise from 11.6% to 12.1%, those classified Asian will rise from 4.6% to 5.6%, and those of Hispanic origin will rise from 10.4% to 17.6%. The percentages of younger workers will fall, while those over 55 of age will leap from 12.4% of the workforce in 1998 to 23.9% in 2018.³⁵

At the same time, demographic trends are making finding and hiring employees more challenging. In the United States, labor force growth is not expected to keep pace with job growth, with an estimated shortfall of about 14 million college-educated workers by 2020.³⁶ One study of 35 large global companies’ senior human resource officers said “talent management”—in particular, the acquisition, development, and retention of talent to fill the companies employment needs—ranked as their top concern.³⁷

“GENERATION Y” Also called “Millennials,” Gen Y employees are roughly those born 1977–2002. They take the place of the labor force’s previous new entrants,

TABLE 1-1 Demographic Groups as a Percent of the Workforce, 1998–2018

Age, Race, Ethnicity	1998	2008	2018
Age: 16–24	15.9%	14.3	12.7
25–54	71.7	67.7	63.5
55+	12.4	18.1	23.9
White, non-Hispanic	83.8	81.4	79.4
Black	11.6	11.5	12.1
Asian	4.6	4.7	5.6
Hispanic origin	10.4	14.3	17.6

Source: Adapted from www.bls.gov/news.release/ecopro.t01.htm, accessed May 10, 2010.

Generation X, those born roughly 1965–1976 (and who themselves were the children of, and followed into the labor force, the Baby Boomers, born just after the Second World War, roughly 1944–1960).

Although every generation obviously has its own labor force entrants, Gen Y employees are different. For one thing, says one expert, they have “been pampered, nurtured, and programmed with a slew of activities since they were toddlers, meaning they are both high-performance and high-maintenance.”³⁸ As a result:

1. They want fair and direct supervisors who are highly engaged in their professional development.
2. They seek out creative challenges and view colleagues as vast resources from whom to gain knowledge.
3. They want to make an important impact on Day 1.
4. They want small goals with tight deadlines so they can build up ownership of tasks.
5. They aim to work faster and better than other workers.³⁹

Fortune Magazine says that today’s “Generation Y” employees will bring challenges and strengths. It says they may be “the most high-maintenance workforce in the history of the world.” Referring to them as “the most praised generation,” the *Wall Street Journal* explains how Lands’ End and Bank of America are teaching their supervisors to complement these new employees with prize packages and public appreciation.⁴⁰ But, as the first generation raised on cell phones and e-mail, their capacity for using information technology will also make them the most high-performing.

RETIREES Many human resource professionals call “the aging workforce” the biggest demographic trend affecting employers. The basic problem is that there aren’t enough younger workers to replace the projected number of baby boom era older-worker retirees.⁴¹

Employers are dealing with this challenge in various ways. One survey found that 41 % of surveyed employers are bringing retirees back into the workforce, 34% are conducting studies to determine projected retirement rates in the organization, and 31 % are offering employment options designed to attract and retain semi-retired workers.⁴²

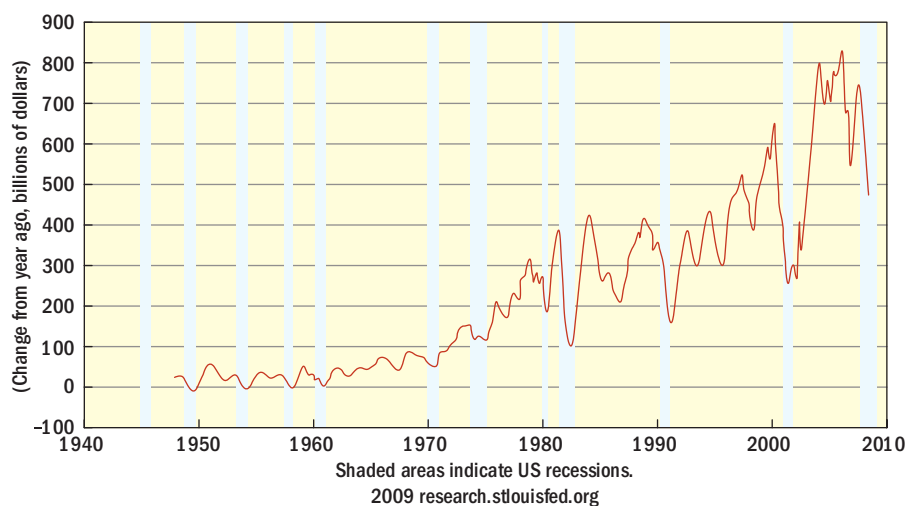
NONTRADITIONAL WORKERS At the same time, there has been a shift to nontraditional workers. Nontraditional workers include those who hold multiple jobs, or who are “contingent” or part-time workers, or who are working in alternative work arrangements (such as a mother–daughter team sharing one clerical job). Today, almost 10% of American workers—13 million people—fit this nontraditional workforce category. Of these, about 8 million are independent contractors who work on specific projects and move on once they complete the projects.

Technological trends facilitate such alternative work arrangements. For example, professional online Web sites such as LinkedIn (www.linkedin.com) enable free agent professionals to promote their services. Thanks to technology, people working from remote locations at least once per month rose about 39% from 2006 to 2008 to just over 17 million people. Seeking the collaboration that’s often missing when one works alone, “co-working sites” are springing up. These offer freelance workers and consultants office space and access to office equipment (and of course an opportunity to interact with other independent workers) for fees of perhaps \$200 or \$300 per month.⁴³

WORKERS FROM ABROAD With retirements triggering projected workforce shortfalls, many employers are hiring foreign workers for U.S. jobs. The country’s H-1B visa program allows U.S. employers to recruit skilled foreign professionals to work in the United States when they can’t find qualified U.S. workers. U.S.

FIGURE 1-5 Gross National Product (GNP)

Source: U.S. Department of Commerce: Bureau of Economic Analysis, [http://research.stlouisfed.org/fred2/fredgraph?chart_type=line&s\[s1\]\[id\]=GNP&s\[s1\]\[transformation\]=ch1](http://research.stlouisfed.org/fred2/fredgraph?chart_type=line&s[s1][id]=GNP&s[s1][transformation]=ch1), accessed April 18, 2009.



employers bring in about 181,000 foreign workers per year under these programs. Particularly with high unemployment, such programs face opposition. For example, one study concluded that many workers brought in under the programs filled jobs that didn't actually demand highly specialized skills, many paying less than \$15 an hour.⁴⁴

Economic Challenges and Trends

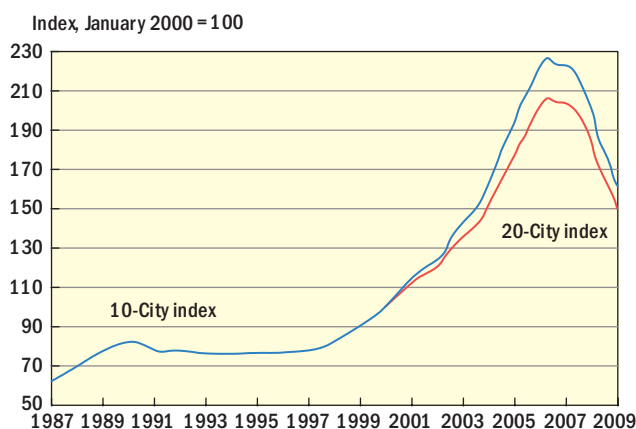
All these trends are occurring in a context of economic upheaval. As shown in Figure 1-5, gross national product (GNP)—a measure of U.S. total output—boomed between 2001 and 2008. During this period, home prices leaped as much as 20% per year. (See Figure 1-6.) Unemployment remained at about 4.7%.⁴⁵ Then, around 2007–2008, all these measures seemingly fell off a cliff. GNP fell. Home prices dropped by 20% or more (depending on city). Unemployment nationwide rose to more than 9.1%.

Why did all this happen? That is a complicated question, but for one thing, all those years of accumulating excessive debt seems to have run their course. Banks and other financial institutions (such as hedge funds) found themselves with trillions of dollars of worthless loans on their books. Governments stepped in to try to prevent their collapse. Lending dried up. Many businesses and consumers simply stopped buying. The economy tanked.

Economic trends will undoubtedly turn positive again, perhaps even as you read these pages. However, they have certainly grabbed employers' attention. After what the world went through starting in 2007–2008, it's doubtful that the deregulation, leveraging, and globalization that drove economic growth for the previous 50 years

FIGURE 1-6 Case-Shiller Home Price Indexes

Source: S&P, Fiserv, and MacroMarkets, LLC, <http://www.clevelandfed.org/research/trends/2009/0309/04ecoact.cfm>, accessed April 18, 2009.



will continue unabated. That may mean slower growth for many countries, perhaps for years. This means challenging times ahead for employers. The challenging times mean that for the foreseeable future—and even well after things turn positive—employers will have to be more frugal and creative in managing their human resources than perhaps they’ve been in the past.

THE NEW HUMAN RESOURCE MANAGERS

Trends like these mean changes in human resource management practices, and in what employers expect from their human resource managers. We’ll look at some specifics.

Human Resource Management Yesterday and Today

For much of the twentieth century, personnel/HR managers focused on “day-to-day” transactional types of activities. For example in the earliest firms, they first took over hiring and firing from supervisors, ran the payroll department, and administered benefits plans. As expertise in areas like testing began to appear, the personnel department began to play an expanded role in employee selection and training.⁴⁶ The emergence of union legislation in the 1930s added, “Helping the employer deal with unions” to its list of duties. Then, as Congress passed new equal employment legislation in the 1960s and 1970s, employers began leaning on their human resource managers’ expertise for avoiding and managing discrimination claims.⁴⁷

Today, we’ve seen that trends like globalization, indebtedness, and technology confront employers with new challenges, such as squeezing more profits from operations. Employers expect their human resource managers to have what it takes to address these challenges. We can list 10 characteristics of today’s human resource professionals.

- 5** List and briefly describe important traits of today’s human resource managers.

They Focus More on Strategic, Big Picture Issues

Today’s human resource managers are more involved in longer term, strategic “big picture” issues. We’ll see in Chapter 3 (Strategy) that *strategic human resource management* means formulating and executing human resource policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic aims. We illustrate this throughout this book with The Strategic Context features such as the accompanying one.

THE STRATEGIC CONTEXT

Building L.L.Bean

Strategic human resource management means formulating and executing human resource policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic aims.

L.L.Bean illustrates how companies do this. The heart of L.L.Bean’s strategy has always been offering great outdoor equipment with outstanding service and expert advice. As its company history said, “L.L.Bean, Inc., quickly established itself as a trusted source for reliable outdoor equipment and expert advice. The small company grew. Customers spread the word of L.L.Bean’s quality and service.”⁴⁸

To provide such service, L.L.Bean needs employees with special, outdoors-skills performing in a special way. As its Web site says, “L.L.Bean attracts a special sort of person. Like our customers, we are passionate about the L.L.Bean brand and our love for the outdoors. You already know the outstanding service L.L.Bean customers receive. Now imagine how we treat our employees.”⁴⁹

L.L.Bean’s HR policies and practices attract and develop just such employees. For one thing, the company knows just who to recruit for. It wants sociable, friendly, experienced, outdoors-oriented applicants and employees.⁵⁰ To attract and

(Continued)

cultivate these sorts of employee competencies and behaviors, the company uses multiple interviews to screen out applicants who might not fit in. And L.L.Bean offers an outdoors-oriented work environment and competitive pay and benefits. To help encourage great employee service, L.L.Bean also provides a supportive environment. For example, when its Web sales recently for the first time exceeded phone sales, L.L.Bean closed four local call centers, but arranged for the 220 employees to work from their homes. And instead of sending jobs abroad, the company keeps its jobs close to the town where Leon Leonwood Bean started his company almost 100 years ago.⁵¹ L.L.Bean's managers built the firm's strategy and success around courteous, expert service. They know that having the right employees is the key to its success, and that it takes the right blend of human resource practices to attract and nurture such employees.

As at L.L.Bean in the Strategic Context feature, today's employers want their HR managers to put in place practices that will help the company achieve its strategic aims. Employers want them to be the firms' internal consultants, by identifying and institutionalizing changes that help employees better contribute to the company's success, and by helping top management formulate and execute its long-term plans.⁵² HR managers no longer just do everyday transactional things like signing on new employees or changing their benefits plans.

They Use New Ways to Provide Transactional Services

But then, how do employers perform these day-to-day transactional tasks?⁵³ The answer is that today's human resource managers must be skilled at offering these transactional HR services in innovative ways. For example, they *outsource* more benefits administration and safety training to outside vendors.⁵⁴ They use technology, for instance, *company portals* that allow employees to self-administer benefits plans, *Facebook recruiting* to recruit job applicants, *online testing* to prescreen job applicants, and *centralized call centers* to answer HR-related inquiries from supervisors. Table 1-2 lists some other examples of how employers use technology to support human resource management activities.⁵⁵

As another example, more employers are installing their own internal social networking sites. For example, after the real estate bubble burst several years ago, many realtors from Long Realty in Tucson, Arizona, wanted a place where they could discuss the current market and how to deal with it. Long Realty therefore set up Long Connects. This internal social networking site lets its employees share experiences, suggestions, and advice without exposing their comments to the wider world (as would posting them on Facebook). IBM calls its internal social network site w3. IBM's employees around the world use w3 to "create personal profiles similar to those on

TABLE 1-2 Some Technology Applications to Support Human Resource Activities

Technology	How Used by HR
Streaming desktop video	Used to facilitate distance learning and training or to provide corporate information to employees quickly and inexpensively
Internet- and network-monitoring software	Used to track employees' Internet and e-mail activities or to monitor their performance
Data warehouses and computerized analytical programs	Help HR managers monitor their HR systems. For example, they make it easier to assess things like cost per hire, and to compare current employees' skills with the firm's projected strategic needs

LinkedIn, bookmark web sites and news stories of interest, comment on company blogs, contribute to wikis, share files, and gain knowledge from white papers, videos, and podcasts.”⁵⁶

They Take an Integrated, “Talent Management” Approach to Managing Human Resources

Next, with employers competing for talent, no one wants to lose any high-potential employees, or to fail to attract or fully utilize top-caliber ones.⁵⁷ One survey of human resource executives found that “talent management” issues were among the most pressing ones they faced.⁵⁸ Human resource managers are therefore emphasizing talent management.

WHAT IS TALENT MANAGEMENT? Talent management is the *goal-oriented* and *integrated* process of *planning, recruiting, developing, managing, and compensating* employees.⁵⁹ It involves instituting a coordinated process for identifying, recruiting, hiring, and developing high-potential employees.

What does this mean in practice? For one thing, talent management means being more focused in how you manage your company’s talent. For example, IBM segmented its employees into three groups. Now it can fine-tune the way it serves the employees in each segment. As another example, many employers are segmenting out their most “mission-critical” employees, and managing their development and rewards separately from the firms’ other employees. We’ll look more closely at talent management techniques starting in Chapter 4.

They Manage Ethics

We’ll see in Chapter 14 (Ethics) that 6 of the 10 most serious workplace ethical issues—workplace safety, security of employee records, employee theft, affirmative action, comparable work, and employee privacy rights—were human resource management related.⁶⁰ *Ethics* means the standards someone uses to decide what his or her conduct should be. For example, prosecutors filed criminal charges against several Iowa meatpacking plant human resource managers who allegedly violated employment law by hiring children younger than 16.⁶¹ Every human resource manager (and line manager) needs to understand the ethical implications of his or her employee-related decisions.

They Manage Employee Engagement

In today’s challenging environment, no employer can afford to have its employees physically present but “checked out” mentally. The Institute for Corporate Productivity defines engaged employees “as those who are mentally and emotionally invested in their work and in contributing to an employer’s success.” Unfortunately, studies suggest that less than one-third of the U.S. workforce is engaged.⁶² One Gallup study estimated that \$350 billion is lost annually in the United States alone on damage done by disengaged workers.⁶³ Today’s human resource managers need the skills to foster and manage employee engagement.

They Measure HR Performance and Results

In today’s performance-based environment, employers expect their human resource managers to take action based on measurable performance-based criteria. For example, IBM’s Randall MacDonald needed \$100 million from IBM to reorganize its HR

talent management

The goal-oriented and integrated process of planning, recruiting, developing, managing, and compensating employees.

operations. He told top management, “I’m going to deliver talent to you that’s skilled and on time and ready to be deployed. I will be able to measure the skills, tell you what skills we have, what [skills] we don’t have [and] then show you how to fill the gaps or enhance our training.”⁶⁴

SAMPLE METRICS To make claims like these, human resource managers need performance measures (or “metrics”). For example, median HR expenses as a proportion of companies’ total operating costs average just under 1%. There tends to be between 0.9 and 1.0 human resource staff persons per 100 employees.⁶⁵ To see how they’re doing compared to others, employers obtain customized benchmark comparisons from services such as the Society for Human Resource Management’s Human Capital Benchmarking Service.⁶⁶ We’ll look at improving performance through human resource management more closely in Chapter 3.

6 Define and give an example of evidence-based human resource management.

They Use Evidence-Based Human Resource Management

Basing decisions on the evidence, as practiced by IBM’s Randall MacDonald (“I will tell you what skills we have . . .”) is the heart of *evidence-based human resource management*. This is the use of data, facts, analytics, scientific rigor, critical evaluation, and critically evaluated research/case studies to support human resource management proposals, decisions, practices, and conclusions.⁶⁷ Put simply, evidence-based human resource management is the deliberate use of the best-available evidence in making decisions about the human resource management practices you are focusing on.⁶⁸ The evidence may come from *actual measurements* you make (such as, how did the trainees like this program?). It may come from *existing data* (such as, what happened to company profits after we installed this training program?). Or, it may come from published critically evaluated *research studies* (such as, what does the research literature conclude about the best way to ensure that trainees remember what they learn?).

They Add Value

This focus on performance, measurement, and evidence reflects another characteristic of today’s human resource managers. From top management’s point of view, it’s not sufficient that HR management just oversee activities such as recruiting and benefits. It must *add value*, particularly by boosting profitability and performance in measurable ways. Professors Dave Ulrich and Wayne Brockbank explain this in terms of what they call “The HR Value Proposition.”⁶⁹ They say the human resource manager’s programs (such as screening tests and training tools) are just a means to an end. His or her ultimate aim must be to add value. “Adding value” means helping the firm and its employees gain in a measurable way from the human resource manager’s actions.

We’ll see in this book how human resource practices improve organizational profitability and performance. For example, studies of personnel testing’s effectiveness conclude that screening applicants with personnel tests can produce employees who perform better.⁷⁰ Similarly, well-trained employees perform better than untrained ones, and safe workplaces produce fewer lost-time accidents and accident costs than do unsafe ones.

Putting in place a *high-performance work system* is one way to add value. Such a system is a set of human resource management practices that together produce superior employee performance. One study looked at 17 manufacturing plants, some of which adopted high-performance work system practices. For example, the high-performance plants paid more (median wages of \$16 per hour compared with \$13 per hour for all plants), trained more (83% offered more than 20 hours of training per year, compared with 32% for all plants), and used more sophisticated recruitment and hiring practices (tests and validated interviews, for instance). These plants also had the best overall profits, operating costs, and turnover.⁷¹ We’ll discuss high-performance work systems in Chapter 3.

They Have New Competencies⁷²

Adding value, strategizing, and using technology all require that human resource managers have new competencies. They still need proficiencies in human resource management functional areas such as selection, training, and compensation. But they also require broader *business competencies*.

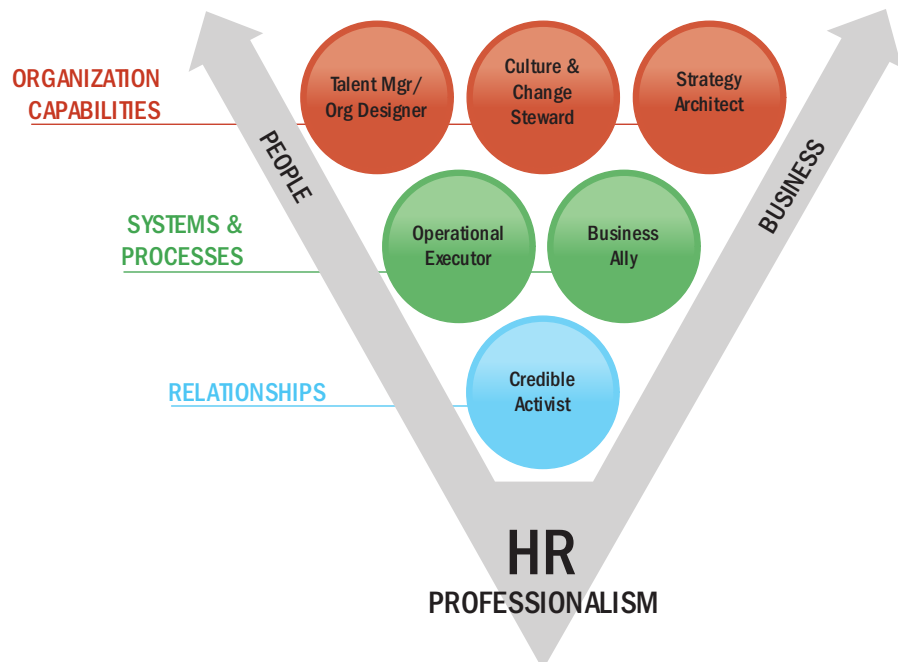
For example, human resource managers must “speak the CFO’s language” by proposing and explaining human resource plans in measurable terms (such as return on investment), and be able to measure HR’s impact.⁷³ To assist top management in formulating strategies, the human resource manager must understand strategic planning, marketing, production, and finance.⁷⁴ With companies grappling to adjust to competition, the human resource manager must be skilled at formulating and implementing large-scale organizational changes, designing organizational structures and work processes, and at understanding what it takes for the company to compete in and succeed in the marketplace.⁷⁵

THE HUMAN RESOURCE MANAGER’S COMPETENCIES The accompanying Figure 1-7 provides one view of the competencies today’s HR managers need.⁷⁶ Professor Dave Ulrich and his colleagues say that today’s human resource managers need the knowledge, skills, and competencies to be:

- **Talent Managers/Organization Designers**, with a mastery of traditional human resource management tasks such as acquiring, training, and compensating employees.
- **Culture and Change Stewards**, able to create human resource practices that support the firm’s cultural values.
- **Strategy Architects**, with the skills to help establish the company’s overall strategic plan, and to put in place the human resource practices required to support accomplishing that plan.
- **Operational Executors**, able to anticipate, draft, and implement the human resource practices (for instance in testing and appraising) the company needs to implement its strategy.
- **Business Allies**, competent to apply business knowledge (for instance in finance, sales, and production) that enable them to help functional and general managers to achieve their departmental goals.
- **Credible Activists**, with the leadership and other competencies that make them “both credible (respected, admired, listened to) and active (offers a point of view, takes a position, challenges assumptions.)”⁷⁷

FIGURE 1-7 The Human Resource Manager’s Competencies

Source: Used with permission of The RBL Group, www.rbl.net, accessed April 4, 2011.



HR Certification

As the human resource manager's job becomes more demanding, human resource managers are becoming more professional. More than 115,000 HR professionals have already passed one or more of the Society for Human Resource Management's (SHRM) HR professional certification exams. SHRM's Human Resource Certification Institute offers these exams. Exams test the professional's knowledge of all aspects of human resource management, including ethics, management practices, staffing, development, compensation, labor relations, and health and safety. Those who successfully complete all requirements earn the SPHR (Senior Professional in HR), GPHR (Global Professional in HR), or PHR (Professional in HR) certificate. You will find certification-related exercises in the end-of-chapter exercises throughout this book. The test specifications for the HRCI exams, as well as new SHRM-related learning guidelines and exercises for human resource management courses, are in the SHRM appendix at the end of this book. Managers can take an online HRCI assessment exam at www.HRCI.org (or by calling 866-898-HRCI). SHRM provides an assurance of learning assessment preparation guide book for students.⁷⁸

Finally, with all the changes taking place, the employment prospects for human resource managers look good. The U.S. Department of Labor projects that employment for human resource, training, and labor relations professionals will experience much faster than average growth in the next few years.⁷⁹ Top-ranked human resource managers earn multimillion dollar total take-home pay.⁸⁰

7 Outline the plan of this book.

THE PLAN OF THIS BOOK

The Basic Themes and Features

In this book, we'll use several themes and features to highlight particularly important issues, and to provide continuity from chapter to chapter.

PRACTICAL TOOLS FOR EVERY MANAGER First, human resource management is the *responsibility of every manager*—not just those in human resources. Throughout every page in this book, you'll therefore find an emphasis on practical material that you as a manager will need to perform your day-to-day management responsibilities, even if you never spend one day as an HR manager.

HR AS A PROFIT CENTER Second, we've seen that employers need human resource management practices that add value. To illustrate this throughout the book, each chapter contains illustrative "HR as a Profit Center" features. These show actual examples of how human resource management practices add measurable value.

THE STRATEGIC CONTEXT Third, we've seen that at companies such as L.L.Bean, *strategic human resource management* means formulating and executing human resource policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic aims. We'll use boxed "The Strategic Context" features in most chapters to help illustrate the strategic context of each chapter's material—for instance, how L.L.Bean's employee selection standards help support the firm's strong customer service philosophy, and thus its strategy.

EVIDENCE-BASED HR Fourth, the intensely competitive nature of business today means human resource managers must defend their plans and contributions in measurable terms. Chapter 3 (Strategy) explains how managers do this. We also use (1) "Evidence-Based HR" features in most chapters to present examples of how managers manage based on facts and evidence, and (2) brief "Research Insights" to illustrate the evidence that supports what HR managers do.

CHAPTER CONTENTS OVERVIEW

Following is a brief overview of the chapters and their content.

Part 1: Introduction

Chapter 1: Introduction to Human Resource Management. The manager's human resource management jobs; crucial global and competitive trends; how managers use technology and modern HR measurement systems to create high-performance work systems.

Chapter 2: Equal Opportunity and the Law. What you should know about equal opportunity laws and how they affect activities such as interviewing, selecting employees, and evaluating performance.

Chapter 3: Human Resource Management Strategy and Analysis. What is strategic planning; strategic human resource management; building high-performance HR practices; tools for evidence-based HR.

Part 2: Recruitment, Placement, and Talent Management

Chapter 4: Job Analysis and the Talent Management Process. How to analyze a job; how to determine the human resource requirements of the job, as well as its specific duties, and what is talent management.

Chapter 5: Personnel Planning and Recruiting. Human resource planning; determining what sorts of people need to be hired; recruiting them.

Chapter 6: Employee Testing and Selection. Techniques you can use to ensure that you're hiring the right people.

Chapter 7: Interviewing Candidates. How you can interview candidates effectively.

Part 3: Training and Development

Chapter 8: Training and Developing Employees. Providing the training and development to ensure that your employees have the knowledge and skills needed to accomplish their tasks.

Chapter 9: Performance Management and Appraisal. Techniques you can use for appraising employee performance.

Chapter 10: Employee Retention, Engagement, and Careers. Coaching employees; managing careers; techniques such as career planning and promotion from within; talent management methods.

Part 4: Compensation

Chapter 11: Establishing Strategic Pay Plans. How to develop equitable pay plans for your employees.

Chapter 12: Pay for Performance and Financial Incentives. Pay-for-performance plans such as financial incentives, merit pay, and incentives that help tie performance to pay.

Chapter 13: Benefits and Services. Providing benefits that make it clear the firm views its employees as long-term investments and is concerned with their welfare.

Part 5: Employee Relations

Chapter 14: Ethics and Employee Rights and Discipline. How you can ensure ethical and fair treatment through grievance and discipline processes.

Chapter 15: Labor Relations and Collective Bargaining. How to deal with unions, including the union organizing campaign, negotiating and agreeing upon a collective bargaining agreement between unions and management, and managing the agreement via the grievance process.

Chapter 16: Employee Safety and Health. How you can make the workplace safe, including the causes of accidents, and laws governing your responsibilities for employee safety and health.

Chapter 17: Managing Global Human Resources. Special topics in managing the HR side of multinational operations.

Chapter 18: Managing Human Resources in Entrepreneurial Firms. Special topics you can use in managing human resources in smaller firms, including using Internet and government tools to support the HR effort, leveraging small size, using professional employer organizations, and managing HR systems, procedures, and paperwork.

The Topics Are Interrelated

In practice, don't think of each of this book's 18 chapters and topics as being unrelated to the others. Each topic interacts with and affects the others, and all should align with the employer's strategic plan. For example, hiring people who don't have the potential to learn the job will doom their performance regardless of how much training they get.

Figure 1-8 summarizes this idea. For example, how you test and interview job candidates (Chapters 6 and 7) and train and appraise job incumbents (Chapters 8 and 9) depends on the job's specific duties and responsibilities (Chapter 4). How good a job you do selecting (Chapter 6) and training (Chapter 8) employees will affect how safely they do their jobs (Chapter 16). An employee's performance and thus his or her appraisal (Chapter 9) depends not just on the person's motivation, but also on how well you identified the job's duties (Chapter 4), and screened and trained the employee (Chapters 6 and 7). Furthermore, we saw that how you recruit, select, train, appraise, and compensate employees should make sense in terms of producing the employee behaviors required to support the company's strategic plan.

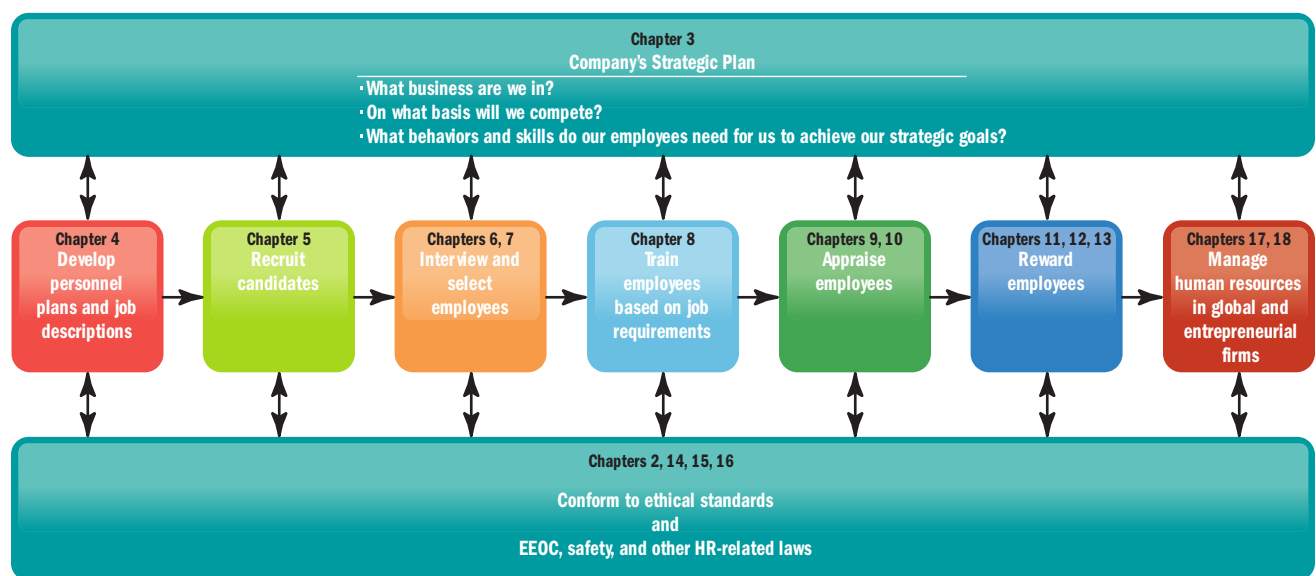


FIGURE 1-8 The interrelatedness of the Basic Human Resource Management Process

REVIEW

MyManagementLab

Now that you have finished this chapter, go back to www.mymanagementlab.com to continue practicing and applying the concepts you've learned.

CHAPTER SECTION SUMMARIES

1. All managers should **understand the importance of human resource management**. Doing so helps managers avoid problems like hiring the wrong person for the job. And more important, it can help ensure that managers get results through people. Line managers' human resource duties include placing the right person on the job, and orienting and training new employees. The human resource manager's duties include supervising his or her own employees, coordinating the company's overall personnel policies, and assisting and advising line managers in the areas of human resource management.
2. **A changing environment today** is influencing what human resource managers do and how they do it. Globalization means more competition, and more competition means more pressure to lower costs and to make employees more productive and quality conscious. Technology is requiring more employees to be technologically well informed and pressuring employers to improve their human resource processes by applying new technological tools. There is more emphasis on "knowledge work" and therefore on building "human capital," the knowledge, education, training, skills, and expertise of a firm's employees. Workforce and demographic changes mean that the workforce is becoming older and more diverse.
3. Changes like these are manifesting themselves in **important trends in human resource management**.
 - Traditionally, personnel/HR managers focused on transactional issues such as hiring and firing employees and running the payroll department.
 - Today, with employers competing in a challenging new environment, employers expect and demand more from their HR managers.
 - For example, they expect their human resource management teams to focus more on big picture issues including instituting human resource policies and practices that support the companies' strategic objectives; to find new, more efficient ways to provide transactional services; and to have new proficiencies, for instance, in terms of strategizing and commanding a broader array of business knowledge.
 - As part of this, employers expect their human resource managers to be able to create high-performance work systems that produce superior employee performance.
 - To do so, HR managers should be able to apply evidence-based human resource management, which means the use of data, facts, analytics, scientific rigor, critical evaluation, and critically evaluated research/case studies to support human resource management proposals, decisions, practices, and conclusions.
4. In understanding the overall plan of this book, keep several important themes in mind: that human resource management is the responsibility of every manager, that the workforce is increasingly diverse, that employers and their human resource managers face the need to manage in challenging economic times, and that human resource managers must be able to defend their plans and contributions in measurable terms—to use evidence-based management—to show they've added value.

DISCUSSION QUESTIONS

1. Explain what HR management is and how it relates to the management process.
2. Give examples of how HR management concepts and techniques can be of use to all managers.
3. Illustrate the HR management responsibilities of line and staff managers.
4. Why is it important for companies today to make their human resources into a competitive advantage? Explain how HR can contribute to doing this. What are some examples of employers who do this?
5. Think of some companies that you are familiar with or that you've read about where you think the human resource managers have been successful in "adding value". What do the HR managers do to lead you to your conclusion?

INDIVIDUAL AND GROUP ACTIVITIES

1. Working individually or in groups, develop outlines showing how trends like workforce diversity, technological innovation, globalization, and changes in the nature of work have affected the college or university you are attending now. Present in class.
2. Working individually or in groups, contact the HR manager of a local bank. Ask the HR manager how he or she is working as a strategic partner to manage human resources, given the bank's strategic goals and objectives. Back in class, discuss the responses of the different HR managers.
3. Working individually or in groups, interview an HR manager. Based on that interview, write a short presentation regarding HR's role today in building competitive organizations.
4. Working individually or in groups, bring several business publications such as *Bloomberg BusinessWeek* and the *Wall Street Journal* to class, or access them in class via the Web. Based on their contents, compile a list titled "What HR Managers and Departments Do Today."
5. Based on your personal experiences, list 10 examples showing how you used (or could have used) human resource management techniques at work or school.
6. Laurie Siegel, senior vice president of human resources for Tyco International, took over her job just after numerous charges forced the company's previous board of directors and top executives to leave the firm. Hired by new CEO Edward Breen, Siegel had to tackle numerous difficult problems starting the moment she assumed office. For example, she had to help hire a new management team. She had to do something about what the outside world viewed as a culture of questionable ethics

at her company. And she had to do something about the company's top management compensation plan, which many felt contributed to the allegations by some that some former company officers had used the company as a sort of private ATM.

Siegel came to Tyco after a very impressive career. For example, she had been head of executive compensation at Allied Signal, and was a graduate of the Harvard Business School. But, as strong as her background was, she obviously had her work cut out for her when she took the senior vice president of HR position at Tyco.

Working individually or in groups, conduct an Internet search and library research to answer the following questions: What human resource management–related steps did Siegel take to help get Tyco back on the right track? Do you think she took the appropriate steps? Why or why not? What, if anything, do you suggest she do now?

7. The HRCI "Test Specifications" appendix at the end of this book (pages 633–640) lists the knowledge someone studying for the HRCI certification exam needs to have in each area of human resource management (such as in Strategic Management, Workforce Planning, and Human Resource Development). In groups of four to five students, do four things: (1) review that appendix now; (2) identify the material in this chapter that relates to the required knowledge the appendix lists; (3) write four multiple-choice exam questions on this material that you believe would be suitable for inclusion in the HRCI exam; and (4) if time permits, have someone from your team post your team's questions in front of the class, so the students in other teams can take each others' exam questions.

EXPERIENTIAL EXERCISE

Helping "The Donald"

Purpose: The purpose of this exercise is to provide practice in identifying and applying the basic concepts of human resource management by illustrating how managers use these techniques in their day-to-day jobs.

Required Understanding: Be thoroughly familiar with the material in this chapter, and with at least several episodes of *The Apprentice* or *The Celebrity Apprentice*, the TV shows in which developer Donald Trump starred.

How to Set Up the Exercise/Instructions:

1. Divide the class into teams of three to four students.
2. Read this: As you may know by watching "the Donald" as he organizes his business teams for *The Apprentice* and *The Celebrity Apprentice*, human resource management plays an important role in what Donald Trump and the participants on his separate teams need to do to be successful. For example, Donald Trump needs to be able to appraise each of the participants. And, for their part, the leaders of each of his teams need to be able to staff his or her team with the right participants, and then provide the sorts of training, incentives, and evaluations that help their companies succeed and

that therefore make the participants themselves (and especially the team leaders) look like "winners" to Mr. Trump.

3. Watch several of these shows (or reruns of the shows), and then meet with your team and answer the following questions:
 - a. What specific HR functions (recruiting, interviewing, and so on) can you identify Donald Trump using on this show? Make sure to give specific examples based on the show.
 - b. What specific HR functions (recruiting, selecting, training, etc.) can you identify one or more of the team leaders using to help manage their teams on the show? Again, please give specific answers.
 - c. Provide a specific example of how HR functions (such as recruiting, selection, interviewing, compensating, appraising, and so on) contributed to one of the participants coming across as particularly successful to Mr. Trump. Can you provide examples of how one or more of these functions contributed to a participant being told by Mr. Trump, "You're fired"?
 - d. Present your team's conclusions to the class.

APPLICATION CASE

JACK NELSON'S PROBLEM

As a new member of the board of directors for a local bank, Jack Nelson was being introduced to all the employees in the home office. When he was introduced to Ruth Johnson, he was curious about her work and asked her what the machine she was using did. Johnson replied that she really did not know what the machine was called or what it did. She explained that she had only been working there for 2 months. However, she did know precisely how to operate the machine. According to her supervisor, she was an excellent employee.

At one of the branch offices, the supervisor in charge spoke to Nelson confidentially, telling him that “something was wrong,” but she didn’t know what. For one thing, she explained, employee turnover was too high, and no sooner had one employee been put on the job than another one resigned. With customers to see and loans to be made, she continued, she had little time to work with the new employees as they came and went.

All branch supervisors hired their own employees without communication with the home office or other branches. When an opening developed, the supervisor tried to find a suitable employee to replace the worker who had quit.

After touring the 22 branches and finding similar problems in many of them, Nelson wondered what the home office should do or what action he should take. The banking firm generally was regarded as being a well-run institution that had grown from 27 to 191 employees during the past 8 years. The more he thought about the matter, the more puzzled Nelson became. He couldn’t quite put his finger on the problem, and he didn’t know whether to report his findings to the president.

Questions

1. What do you think is causing some of the problems in the bank’s home office and branches?
2. Do you think setting up an HR unit in the main office would help?
3. What specific functions should an HR unit carry out? What HR functions would then be carried out by supervisors and other line managers? What role should the Internet play in the new HR organization?

Source: From Claude S. George, *Supervision in Action*, 4th ed., 1985. Adapted by permission of Prentice Hall, Inc., Upper Saddle River, NJ.

CONTINUING CASE

CARTER CLEANING COMPANY

Introduction

A main theme of this book is that human resource management activities like recruiting, selecting, training, and rewarding employees is not just the job of a central HR group but rather a job in which every manager must engage. Perhaps nowhere is this more apparent than in the typical small service business. Here the owner/manager usually has no HR staff to rely on. However, the success of his or her enterprise (not to mention his or her family’s peace of mind) often depends largely on the effectiveness through which workers are recruited, hired, trained, evaluated, and rewarded. Therefore, to help illustrate and emphasize the front-line manager’s HR role, throughout this book we will use a continuing case based on an actual small business in the southeastern United States. Each chapter’s segment of the case will illustrate how the case’s main player—owner/manager Jennifer Carter—confronts and solves personnel problems each day at work by applying the concepts and techniques of that particular chapter. Here is background information that you will need to answer questions that arise in subsequent chapters. (We also present a second, unrelated “application case” case incident in each chapter.)

Carter Cleaning Centers

Jennifer Carter graduated from State University in June 2005, and, after considering several job offers, decided to do what she always planned to do—go into business with her father, Jack Carter.

Jack Carter opened his first laundromat in 1995 and his second in 1998. The main attraction of these coin laundry businesses for him was that they were capital- rather than labor-intensive. Thus, once the investment in machinery was made, the stores could be run with just one unskilled attendant and none of the labor problems one normally expects from being in the retail service business.

The attractiveness of operating with virtually no skilled labor notwithstanding, Jack had decided by 1999 to expand the services in each of his stores to include the dry cleaning and pressing of clothes. He embarked, in other words, on a strategy of “related diversification” by adding new services that were related to and consistent with his existing coin laundry activities. He added these for several reasons. He wanted to better utilize the unused space in the rather large stores he currently had under lease. Furthermore, he was, as he put it, “tired of sending out the dry cleaning and pressing work that came in from our coin laundry clients to a dry cleaner 5 miles away, who then took most of what should have been our profits.” To reflect the new, expanded line of services, he renamed each of his two stores Carter Cleaning Centers and was sufficiently satisfied with their performance to open four more of the same type of stores over the next 5 years. Each store had its own on-site manager and, on average, about seven employees and annual revenues of about \$500,000. It was this six-store chain that Jennifer joined after graduating.

Her understanding with her father was that she would serve as a troubleshooter/consultant to the elder Carter with the aim of both learning the business and bringing to it modern management concepts and techniques for solving the business's problems and facilitating its growth.

Questions

1. Make a list of five specific HR problems you think Carter Cleaning will have to grapple with.
2. What would you do first if you were Jennifer?

KEY TERMS

organization, 4

manager, 4

management process, 4

human resource management (HRM), 4

authority, 6

line authority, 6

staff authority, 6

line manager, 6

staff manager, 6

functional authority, 7

globalization, 11

human capital, 13

talent management, 19

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