Fundamentals of Management

Human Resource Management

Introductory reading:

Soft Skills & Social Graces: Boosting Your Advantage in the Hiring World

Human Resource Management

- Human resource (HR) management consists of the activities managers perform to plan for, attract, develop, and retain an effective workforce.
- The old personnel department is now called the human resources department is not just a cosmetic change.
- *People are an organization's most important resource!*
- Highly educated, knowledgeable workers—the most in demand—are the hardest to find and easiest to lose.

- Studies show that companies have higher levels of employee satisfaction, financial performance, and service performance when the company has high-quality human resource practices and programs.
- HR departments deal not only with employee paperwork and legal accountability, but also with helping to support the organization's overall strategy.

- Human capital is the economic or productive potential of employee knowledge, experience, and actions.
- A knowledge worker is someone whose occupation is principally concerned with generating or interpreting information, as opposed to manual labor.
- Social capital is the economic or productive potential of strong, trusting, and cooperative relationships.
- Strategic human resource planning consists of developing a systematic, comprehensive strategy for understanding current employee needs and predicting future employee needs.

Understanding Current Employee Needs

- Job analysis
  - The purpose of job analysis is to determine, by observation and analysis, the basic elements of a job.
- Job description and job specification
  - A job description summarizes what the holder of the job does and how and why he or she does it.
  - A job specification describes the minimum qualifications a person must have to perform the job successfully.

  - A realistic job preview (RJP) gives a candidate a picture of both positive and negative features of the job and the organization before he or she is hired.
  - This recruiting technique is very effective at reducing turnover within 30–90 days of employment.

A job specification – University lecturer

Essential Criteria	Desirable Criteria
(Identified from – Application form, CV, Supporting Statement, Interview, References)	
Experience	
1.1 A strong track record of research and teaching in Marketing	Early experience in generating grant income
1.2 Published outputs in recognised world-class or internationally-excellent journals and a pipeline of papers under review in top-rated journals	Experience in national and/or international research collaborations and working outside the UK
1.3 Module and course leadership responsibility	Relevant business experience
1.4 Leading the successful development and implementation of new ideas in research and teaching	Academic journal reviewer or editorial board member
1.5 Research collaborations and projects	Supervising PhD students
Education, Qualifications and Training	
2.1 PhD in Operations Management, Operational Research or a related subject from an accredited, research-intensive institution	Recognised teaching qualification
2.2 Training in relevant research methods	
Skills, General and Special Knowledge	
3.1 Thorough knowledge of contemporary theories, methods and research in Marketing	
3.2 Good level of computer literary	
3.3 Excellent interpersonal and communication skills	

Predicting Future Employee Needs

- The staffing the organization might need
  - understand the organization's vision and strategic plan so that the proper people can be hired to meet the future strategies and work.
- The likely sources for staffing
  - looking inside: a human resource inventory, a report listing your organization's employees by name, education, training, languages, and other important information.
  - looking outside: industry's and geographical area's labor pool, head hunters, campus hiring, professional websites and social media (LinkedIn)

Recruitment: How to Attract Qualified Applicants

- Recruiting is the process of locating and attracting qualified applicants for jobs open in the organization.

- "Qualified" is important: you want to find people whose skills, abilities, and characteristics are best suited to your organization.

1. Internal Recruiting: Hiring from the Inside

- Internal recruiting means making people already employed by the organization aware of job openings.

- Through job posting, placing information about job vacancies and qualifications on bulletin boards, in newsletters, and on the organization's intranet.

2. External Recruiting: Hiring from the Outside

- External recruiting means attracting job applicants from outside the organization.

- Through newspapers, employment agencies, executive recruiting firms, union hiring halls, college job-placement offices, and word of mouth.

- Today more and more companies are using social media to recruit.

- *The most effective sources are employee referrals*, because to protect their own reputations, employees are fairly careful about whom they recommend.

What are the advantages and disadvantages of internal and external recruiting? List as many points as you can.

INTERNAL RECRUITING

ADVANTAGES

1. Employees tend to be inspired to greater effort and loyalty. Morale is enhanced because they realize that working hard and staying put can result in more opportunities.
2. The whole process of advertising, interviewing, and so on is cheaper.
3. There are fewer risks. Internal candidates are already known and are familiar with the organization.

DISADVANTAGES

1. Internal recruitment restricts the competition for positions and limits the pool of fresh talent and fresh viewpoints.
2. It may encourage employees to assume that longevity and seniority will automatically result in promotion.
3. Whenever a job is filled, it creates a vacancy elsewhere in the organization.

EXTERNAL RECRUITING

ADVANTAGES

1. Applicants may have specialized knowledge and experience.
2. Applicants may have fresh viewpoints.

DISADVANTAGES

1. The recruitment process is more expensive and takes longer.
2. The risks are higher because the persons hired are less well known.

Selection: How to Choose the Best Person for the Job

The selection process is the screening of job applicants to hire the best candidate.

1. Background Information
   - Application forms and resumes provide basic background information about job applicants, such as citizenship, education, work history, and certifications.
   - More companies are increasingly relying on social networks such as LinkedIn, video profiles, or online quizzes to assess candidates.
   - Many employers also like to check applicants' credit references

2. Interviewing

The most commonly used employee-selection technique, interviewing, takes three forms: unstructured interviews and two types of structured interviews.

- An unstructured interview involves asking probing questions to find out what the applicant is like.

- The unstructured interview has been found to provide a more accurate assessment of an applicant's job-related personality traits.

- The structured interview involves asking each applicant the same questions and comparing their responses to a standardized set of answers.
  - The situational interview, the interviewer focuses on hypothetical situations.
    - Example: "What would you do if you saw two of your people arguing loudly in the work area?"
    - The idea here is to find out if the applicant can handle difficult situations that may arise on the job.
  - The behavioral-description interview, the interviewer explores what applicants have actually done in the past.
    - Example: "What was the best idea you ever sold to a supervisor, teacher, peer, or subordinate?"
    - This question is designed to assess the applicant's ability to influence others.

- Interview Preparation: Common Questions with Feedback!
- https://www.youtube.com/watch?v=R_dxlajqA4s

3. Employment Tests

- Employment tests are legally considered to consist of any procedure used in the employment selection decision process, even application forms, interviews, and educational requirements.

  – Ability tests measure physical abilities, strength and stamina, mechanical ability, mental abilities, and clerical abilities.

  – Performance tests or skills tests measure performance on actual job tasks.

    - Some companies have an assessment center, in which management candidates participate in activities for a few days while being assessed by evaluators.

– Personality tests measure such personality traits as adjustment, energy, sociability, independence, and need for achievement.

– Integrity tests assess attitudes and experiences related to a person's honesty, dependability, trustworthiness, reliability, and prosocial behavior.

– Reliability & Validity: are the tests worth it?

- Reliability—the degree to which a test measures the same thing consistently

- Validity—the test measures what it purports to measure and is free of bias.

Test your personality

- Go to the following web and do the test, take a screen shot or picture of your results and return it for registering participation.
  - English version:
  - https://www.16personalities.com/
  - Chinese version:
  - https://www.16personalities.com/ch
- Use the results to help know yourself, enhance person-organization fit, and perform well in interviews!

Compensation

- Compensation has three parts: wages or salaries, incentives, and benefits.

- (1) Basic wage or salary are paid employees in exchange for doing their jobs.

- (2) Incentives are in the form of commissions, bonuses, profit-sharing plans, and stock options, to induce employees to be more productive or to attract and retain top performers.

Why Rewards May Fail to Motivate

There are many incentive compensation plans, ranging from cash awards and gifts to profit sharing and stock ownership, as we discuss in detail in Chapter 12. Why, despite the huge investments of time and money, do they often not achieve the results? Here are eight possible reasons:[99]

- **"I don't work just for the money."** Sometimes there is too much emphasis on monetary rewards.

- **"They don't care what I do."** There may be the absence of an "appreciation effect."

- **"It's no more than what I deserve."** The benefits may be extensive, but employees feel they are entitled to them just as part of the job.

- **"Let's see how little work we can get away with."** The rewards may have the unintended consequence of producing nonproductive, even counterproductive, work behavior. (Example: Albuquerque, New Mexico, city officials decided to pay trash truck crews for eight hours regardless of time spent, so as to encourage quick completion of the work and lower overtime costs. However, the policy only led crews to work fast and cut corners, missing pickups, speeding and causing accidents, and generating extra dump fees for overloading vehicles.[100])

- **"Why bother, it takes forever to get paid."** There is too long a delay between performance and rewards.

- **"Another $25 gift card? Who needs it?"** There are too many one-size-fits-all rewards.

- **"A half day off on Friday—so what."** Managers use one-shot rewards with a short-lived motivational impact.

- **"There they go again. . ."** Management continues to use demotivating practices such as layoffs, across-the-board pay cuts, and giving executives but not workers excessive compensation.

Five keys to a successful incentive-pay plan are the following:[101]

1. **Simplicity.** Does the plan pass the simplicity test? Can you explain it on an elevator ride?

2. **Clear goals.** Are the goals clear? Are the goals fully supported by management?

3. **Realistic goals.** Are the goals realistic—that is, neither too difficult nor too easy to achieve?

4. **Consistency with present goals.** Is the plan in line with the organization's present goals? Company goals change. Few organizations have the same business objective for more than five to seven years.

5. **Regular communication.** Do managers regularly communicate with employees about the plan? People want a scorecard.

- (3) Benefits, or fringe benefits, are additional nonmonetary forms of compensation designed to enrich the lives of all employees in the organization, which are paid all or in part by the organization.

  - *Health insurance, dental insurance, life insurance, disability protection, retirement plans, holidays off, accumulated sick days and vacation days, recreation options, country club or health club memberships, family leave, discounts on company merchandise, counseling, credit unions, legal advice, and education reimbursement.*

  - *For top executives, there may be "golden parachutes," generous severance pay for those who might be let go in the event the company is taken over by another company.*
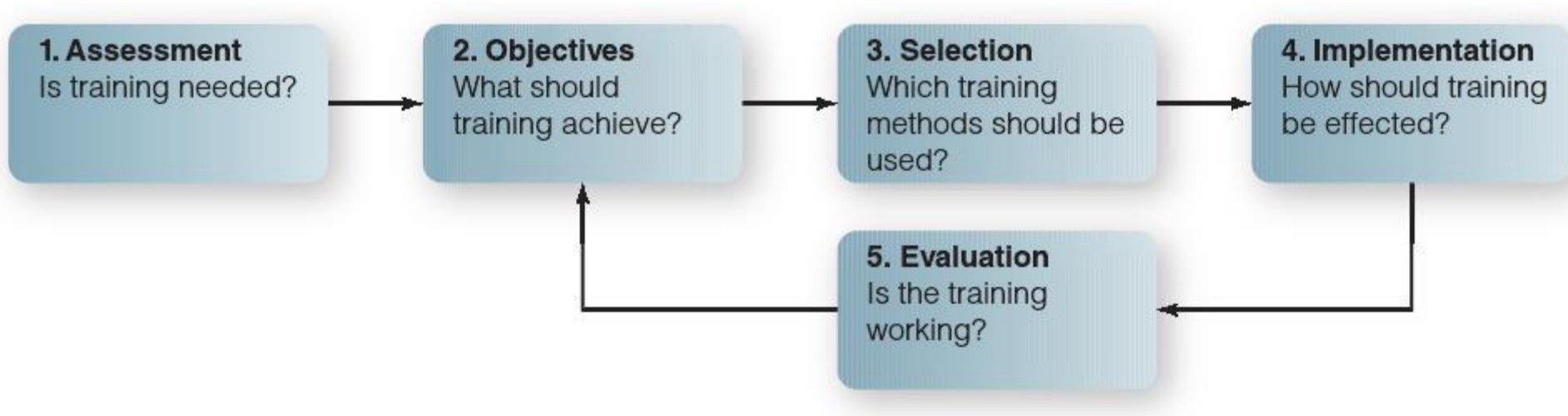
Orientation

- Orientation helps the newcomer fit smoothly into the job and the organization.
- The desirable characteristics of orientation
  - The job routine.
  - The organization's mission and operations.
  - The organization's work rules and employee benefits.

Training & Development

- Training
  - Upgrading skills of technical and operational employees.
  - Educating technical and operational employees in how to better do their current jobs.

- Development
  - Upgrading skills of professionals and managers.
  - Educating professionals and managers in the skills they need to do their jobs in the future.

- On-the-job training
  - This training takes place in the work setting while employees are performing job-related tasks.
  - Four major training methods are *coaching, training positions, job rotation, and planned work activities*.
- Off-the-job training
  - This training consists of classroom programs, videotapes, workbooks, and the like.
  - Lots of off-the-job training consists of computer-assisted instruction (CAI), in which computers are used to provide additional help or to reduce instructional time.

The training process

1. **Assessment**
Is training needed?

2. **Objectives**
What should training achieve?

3. **Selection**
Which training methods should be used?

4. **Implementation**
How should training be effected?

5. **Evaluation**
Is the training working?

Performance Management

- Performance management is defined as a set of processes and managerial behaviors that involve defining, monitoring, measuring, evaluating, and providing consequences for performance expectations.

- It is a powerful means for improving individual, group, and organizational effectiveness.
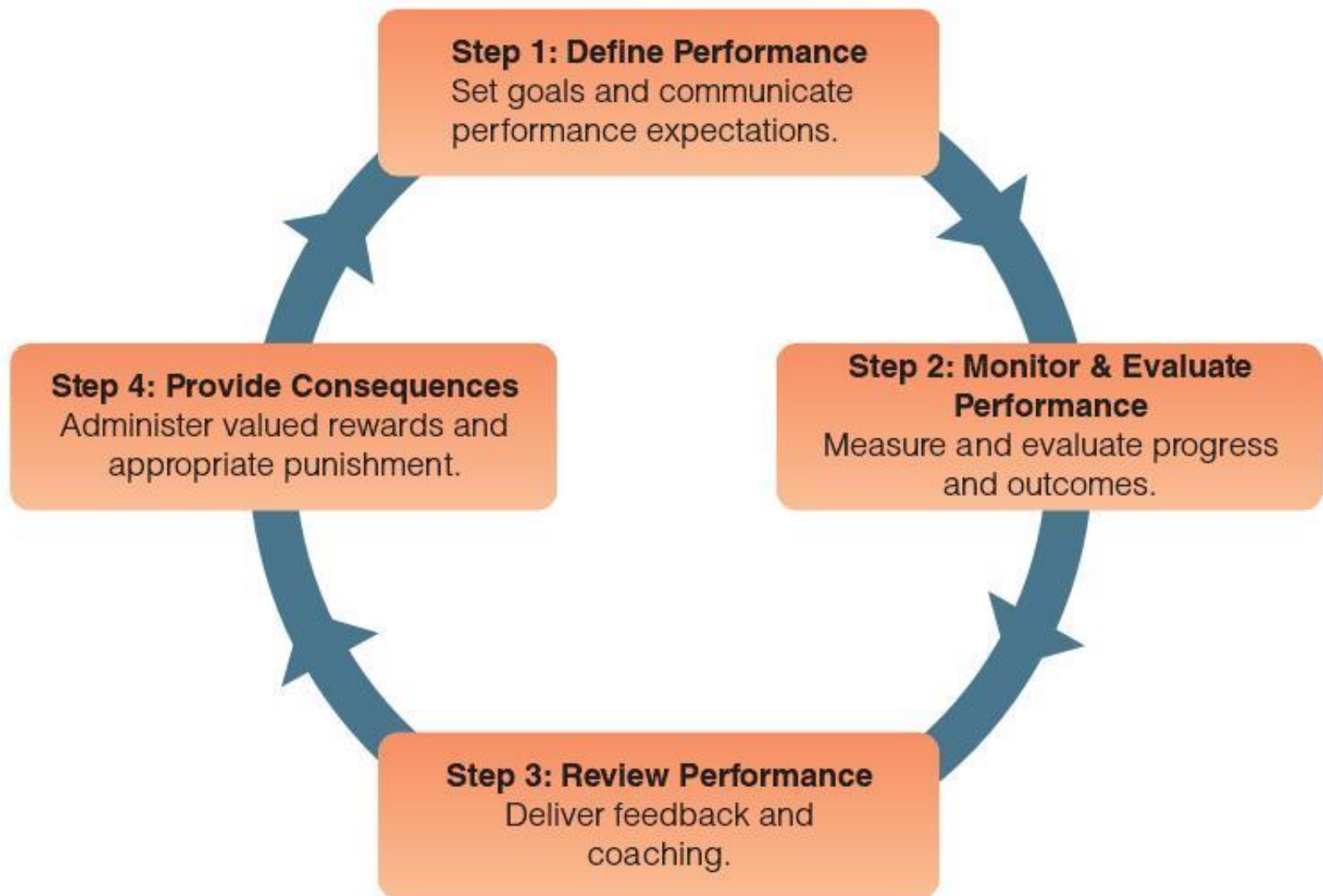
Performance Management: How Domino's Pizza Built a Billion-Dollar Business | EXAMPLE

The founder of Domino's Pizza, Tom Monaghan, grew the business, which he later sold for $1 billion, by using performance management, as follows:[119]

1. Define Performance. In order to meet Domino's promise of delivering customers a pizza within 30 minutes or no payment required, Monaghan made clear to his employees in his performance expectations the importance of speed, even showing employees how to run out the door.

2. Monitor & Evaluate Performance. Domino's employees filled out a form showing they understood what was expected of them, then every one of them met with their manager and listed goals for the month and action plans for achieving them. Employees also described what the manager was supposed to do for them to support their efforts.

3. Review Performance. Employees met with their managers every three months to review their performance, and managers met with their own superiors once a month to do the same.

4. Provide Consequences. Monaghan is a big believer in rewarding performance and retaining talent. Thus, Domino's store managers received not only salaries but also 30% of profits. To retain talent, Monaghan rewarded franchisees (individual store owners who had purchased the right to use the Domino's trademark and business model) by encouraging them to develop their managers into store owners themselves, for which the original franchisees were rewarded with a percentage of the earnings from the new store.

YOUR CALL

In your current job—being a student—how effective do you think Domino's approach to performance management could be in helping you excel at college? Who would you designate as your "manager," how often would you meet, and what kind of goals and action plans would you set?

Performance Appraisal

A performance appraisal, or performance review, consists of (1) assessing an employee's performance and (2) providing him or her with feedback.

- Objective appraisals, also called results appraisals, are based on facts and are often numerical.
  - They measure results.
  - They are harder to challenge legally.
- Subjective appraisals, which are based on a manager's perceptions of an employee's traits or behaviors.
  - Trait appraisals are ratings of such subjective attributes as "attitude," "initiative," and "leadership."
  - Behavioral appraisals measure specific, observable aspects of performance.

- **360-degree feedback appraisal**: employees are appraised not only by their managerial superiors but also by peers, subordinates, and sometimes clients.

- **Forced ranking performance review systems**: all employees within a business unit are ranked against one another and grades are distributed along some sort of bell curve
  - Top performers (such as the top 20%) are rewarded with bonuses and promotions, the worst performers (such as the bottom 20%) are rehabilitated or dismissed.
  - Just like students being graded in a college course.
  - For instance, every year 10% of GE's managers are assigned the bottom grade, and if they don't improve, they are asked to leave the company.

Moving inside the organization

Promotion: Moving Upward

- Promotion—moving an employee to a higher-level position—is the most obvious way to recognize that person's superior performance.
  - It's important that promotion be fair.
  - The promotion cannot discriminate on the basis of race, ethnicity, gender, age, or physical ability.
  - If someone is promoted, someone else may be resentful about being passed over. As a manager, you may need to counsel the people left behind about their performance and their opportunities in the future.

Transfer: Moving Sideways

- Transfer is movement of an employee to a different job with similar responsibility.

- Employees might be transferred for four principal reasons:

    (1) to solve organizational problems by using their skills at another location;

    (2) to broaden their experience in being assigned to a different position;

    (3) to retain their interest and motivation by being presented with a new challenge;

    (4) to solve some employee problems, such as personal differences with their bosses.

Disciplining & Demotion: Moving Downward

- Poorly performing employees may be given a warning or a reprimand and then disciplined.
  - That is, they may be temporarily removed from their jobs.
- An employee may be demoted—that is, have his or her current responsibilities, pay, and perquisites taken away.
  - This may occur when a company is downsized, resulting in fewer higher level management positions.

Moving out of the organization - Dismissals

- Layoffs: a person has been dismissed temporarily and may be recalled later when economic conditions improve.

- Downsizing: a permanent dismissal; there is no rehiring later.

- Firings (being "terminated," "separated," "let go," "canned"): a person was dismissed permanently "for cause": absenteeism, sloppy work habits, failure to perform satisfactorily, breaking the law, and the like.

Legal Issues of Human Resource Management

- **Workplace discrimination** occurs when people are hired or promoted—or denied hiring or promotion—for reasons not relevant to the job, such as skin color or eye shape, gender, religion, national origin, and the like.

- **Sexual harassment** consists of unwanted sexual attention that creates an adverse work environment.

- **Bullying** is repeated mistreatment of one or more persons by one or more perpetrators; it is abusive physical, psychological, verbal, or nonverbal behavior that is threatening, humiliating, or intimidating.

Beating Back the Bully

- **Recognize the mistreatment as bullying:** Don't blame yourself.

- **Get others on your side:** Don't become socially isolated.

- **Don't strike back:** It might get you fired. Ask to be treated with fairness and respect.

- **Stay calm and confident:** Don't feed the bully's sense of power by showing fear.

- **Avoid being alone with the bully:** Make sure someone can hear your interactions. Or record them on your smartphone.

- **Document the events—and be truthful:** When reporting bullying to supervisors, give them the FACTS, not just the emotional effects. Save examples of online bullying, notes, and other physical evidence. Remember, the bully will probably deny your accusations.

Settling Labor-Management Disputes

- Mediation is the process in which a neutral third party, a mediator, listens to both sides in a dispute, makes suggestions, and encourages them to agree on a solution.

- Arbitration is the process in which a neutral third party, an arbitrator, listens to both parties in a dispute and makes a decision that the parties have agreed will be binding on them.

Review case - More Companies Rely on Proactive Human Resource Practices to Reduce Employee Turnover

Read the case and complete the following question individually:

1. What specific human resource practices are U.S. Security Associates, Aegis Media, Vi, and Jiffy Lube using to recruit and retain high-quality employees?

2. Why do you think the practices and programs used at these companies are helping to reduce turnover? Explain your logic.

3. To what extent does the size of a company influence the ability to implement the type of practices being used by these five companies? Explain.

4. Based on what you learned in this chapter, can you think of any additional HR practices that might be used to reduce turnover? Discuss.

5. What is your key takeaway from this case?