

# Management

tenth edition

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Chapter

**10**

## Managing Human Resources

# The Importance of Human Resource Management (HRM)

- **As a significant source of competitive advantage**
  - People-oriented HR creates superior shareholder value
- **As an important strategic tool**
  - Achieve competitive success through people by treating employees as partners
- **To improve organizational performance**
  - High performance work practices lead to both high individual and high organizational performance.

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## Exhibit 10–1 Examples of High-Performance Work Practices

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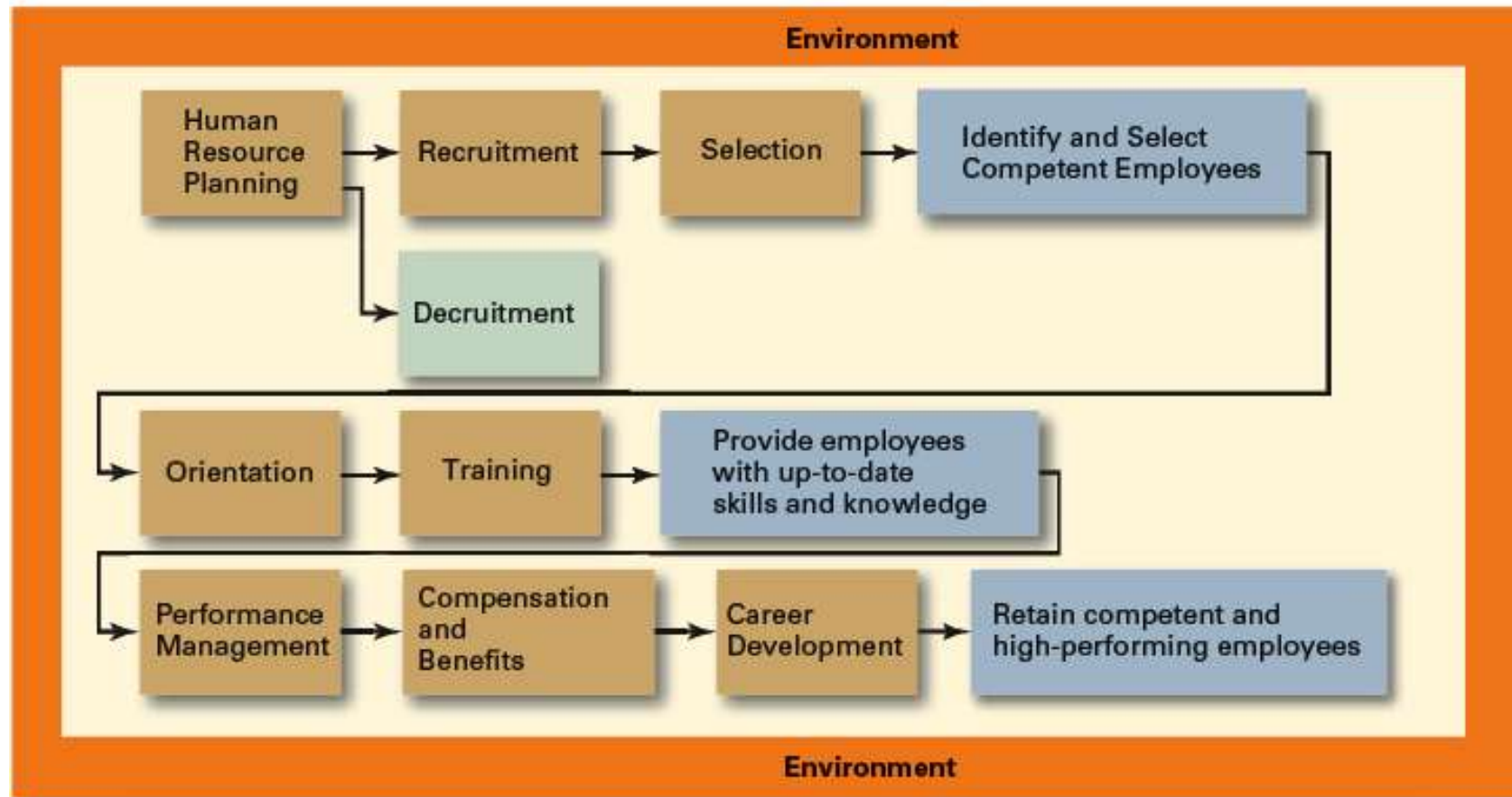
- Self-managed teams
- Decentralized decision making
- Training programs to develop knowledge, skills, and abilities
- Flexible job assignments
- Open communication
- Performance-based compensation
- Staffing based on person–job and person–organization fit

Source: Based on W. R. Evans and W. D. Davis, “High-Performance Work Systems and Organizational Performance: The Mediating Role of Internal Social Structure,” *Journal of Management*, October 2005, p. 760.

# The HRM Process

- **Functions of the HRM Process**
  - Ensuring that competent employees are identified and selected.
  - Providing employees with up-to-date knowledge and skills to do their jobs.
  - Ensuring that the organization retains competent and high-performing employees.

## Exhibit 10–2 Human Resource Management Process



# Environmental Factors Affecting HRM

- **Employee Labor Unions**
  - Organizations that represent workers and seek to protect their interests through collective bargaining.
    - ⌘ Collective bargaining agreement
      - A contractual agreement between a firm and a union elected to represent a bargaining unit of employees of the firm in bargaining for wage, hours, and working conditions.
- **Governmental Laws and Regulations**
  - Limit managerial discretion in hiring, promoting, and discharging employees.
    - ⌘ Affirmative Action: Organizational programs that enhance the status of members of protected groups.

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## **Exhibit 10–3 Major U.S. Federal Laws and Regulations Related to HRM**

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1963	Equal Pay Act
1964	Civil Rights Act, Title VII (amended in 1972)
1967	Age Discrimination in Employment Act
1973	Vocational Rehabilitation Act
1974	Privacy Act
1978	Mandatory Retirement Act
1986	Immigration Reform and Control Act
1988	Worker Adjustment and Retraining Notification Act
1990	Americans with Disabilities Act
1991	Civil Rights Act of 1991
1993	Family and Medical Leave Act of 1993
1996	Health Insurance Portability and Accountability Act of 1996
2004	FairPay Overtime Initiative

# Managing Human Resources

- Human Resource (HR) Planning

- The process by which managers ensure that they have the right number and kinds of people in the right places, and at the right times, who are capable of effectively and efficiently performing their tasks.
- Helps avoid sudden talent shortages and surpluses.
- Steps in HR planning:
  - ⊗ Assessing current human resources
  - ⊗ Assessing future needs for human resources



# Current Assessment

- Human Resource Inventory

- A review of the current make-up of the organization's current resource status.

- Job Analysis

- ⌘ An assessment that defines a job and the behaviors necessary to perform the job.

- ⌘ Requires conducting interviews, engaging in direct observation, and collecting the self-reports of employees and their managers.

# Current Assessment (cont'd)

- **Job Description**

- A written statement that describes a job.

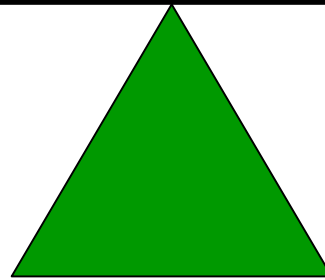
- **Job Specification**

- A written statement of the minimum qualifications that a person must possess to perform a given job successfully.

# Meeting Future Human Resource Needs

Supply of Employees

Demand for Employees



## Factors Affecting Staffing

Strategic Goals

Forecast demand for products and services

Availability of knowledge, skills, and abilities

# Recruitment and Decruitment

- **Recruitment**

- The process of locating, identifying, and attracting capable applicants to an organization

- **Decruitment**

- The process of reducing a surplus of employees in the workforce of an organization

- **Online Recruiting**

- Recruitment of employees through the Internet
  - ⌘ Organizational Web sites
  - ⌘ Online recruiters

## Exhibit 10–4 Major Sources of Potential Job Candidates

Source	Advantages	Disadvantages
Internet	Reaches large numbers of people; can get immediate feedback	Generates many unqualified candidates
Employee referrals	Knowledge about the organization provided by current employee; can generate strong candidates because a good referral reflects on the recommender	May not increase the diversity and mix of employees
Company Web site	Wide distribution; can be targeted to specific groups	Generates many unqualified candidates
College recruiting	Large centralized body of candidates	Limited to entry-level positions
Professional recruiting organizations	Good knowledge of industry challenges and requirements	Little commitment to specific organization

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## Exhibit 10–5 Decruitment Options

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Option	Description
Firing	Permanent involuntary termination
Layoffs	Temporary involuntary termination; may last only a few days or extend to years
Attrition	Not filling openings created by voluntary resignations or normal retirements
Transfers	Moving employees either laterally or downward; usually does not reduce costs but can reduce intraorganizational supply-demand imbalances
Reduced workweeks	Having employees work fewer hours per week, share jobs, or perform their jobs on a part-time basis
Early retirements	Providing incentives to older and more senior employees for retiring before their normal retirement date
Job sharing	Having employees share one full-time position

# Selection

- Selection Process

- The process of screening job applicants to ensure that the most appropriate candidates are hired.

- What is Selection?

- An exercise in predicting which applicants, if hired, will be (or will not be) successful in performing well on the criteria the organization uses to evaluate performance.
- Selection errors:
  - ⊗ Reject errors for potentially successful applicants
  - ⊗ Accept errors for ultimately poor performers

## Exhibit 10–6 Selection Decision Outcomes

		Selection Decision	
		Accept	Reject
Later Job Performance	Successful	Correct decision	Reject error
	Unsuccessful	Accept error	Correct decision



# Validity and Reliability

- **Validity (of Prediction)**

- A proven relationship between the selection device used and some relevant criterion for successful performance in an organization.

- **Reliability (of Prediction)**

- The degree of consistency with which a selection device measures the same thing.
  - ⊗ Individual test scores obtained with a selection device are consistent over multiple testing instances.

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## Exhibit 10–7 Selection Tools

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- Application Forms
- Written Tests
- Performance Simulations Tests
- Interviews
- Background Investigations
- Physical Examinations



# Application Forms

- **Strengths and weaknesses:**
  - Almost universally used
  - Relevant biographical data and facts that can be verified
  - Can predict job performance
  - difficult and expensive to maintain

# Written Tests

- **Types of Tests**

- **Intelligence**: how smart are you?
- **Aptitude**: can you learn to do it?
- **Attitude**: how do you feel about it?
- **Ability**: can you do it now?
- **Interest**: do you want to do it?

- **Legal Challenges to Tests**

- Lack of job-relatedness of test items or interview questions to job requirements
- Discrimination in equal employment opportunity against members of protected classes

# Performance Simulation Tests

- Testing an applicant's ability to perform actual job behaviors, use required skills, and demonstrate specific knowledge of the job.
  - Work sampling
    - ⊗ Requiring applicants to actually perform a task or set of tasks that are central to successful job performance.
  - Assessment centers
    - ⊗ Dedicated facilities in which job candidates undergo a series of performance simulation tests to evaluate their managerial potential.

# Other Selection Approaches

- **Interviews**

- └ Although used almost universally, managers need to approach interviews carefully.

- **Background Investigations**

- └ Verification of application data
- └ Reference checks:
  - ⊗ Lack validity because self-selection of references ensures only positive outcomes.

- **Physical Examinations**

- └ Useful for physical requirements and for insurance purposes related to pre-existing conditions.

# Other Selection Approaches (cont'd)

- **Realistic Job Preview (RJP)**
  - The process of relating to an applicant both the positive and the negative aspects of the job.
    - ⊗ Encourages mismatched applicants to withdraw.
    - ⊗ Aligns successful applicants' expectations with actual job conditions, reducing turnover.

# Employee Needed Skills and Knowledge

- **Orientation**

- Education that introduces a new employee to his or her job and the organization.
  - ⊗ Work unit orientation
  - ⊗ Organization orientation

- **Employee Training**

- Types of training
- Training Methods



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## Exhibit 10–8

## Types of Training

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Type	Includes
General	Communication skills, computer systems application and programming, customer service, executive development, management skills and development, personal growth, sales, supervisory skills, and technological skills and knowledge
Specific	Basic life/work skills, creativity, customer education, diversity/cultural awareness, remedial writing, managing change, leadership, product knowledge, public speaking/presentation skills, safety, ethics, sexual harassment, team building, wellness, and others

Source: Based on “2005 Industry Report—Types of Training,” *Training*, December 2005, p. 22.

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## Exhibit 10–9    Training Methods

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- **Traditional Training Methods**

- On-the-job
- Job rotation
- Mentoring and coaching
- Experiential exercises
- Workbooks/manuals
- Classroom lectures

- **Technology-Based Training Methods**

- CD-ROM/DVD/videotapes/audiotapes
- Videoconferencing/teleconferencing/satellite TV
- E-learning

# Employee Performance Management

- **Performance Management System**
  - A process of establishing performance standards and appraising employee performance.



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## Exhibit 10–10 Advantages and Disadvantages of Performance Appraisal Methods

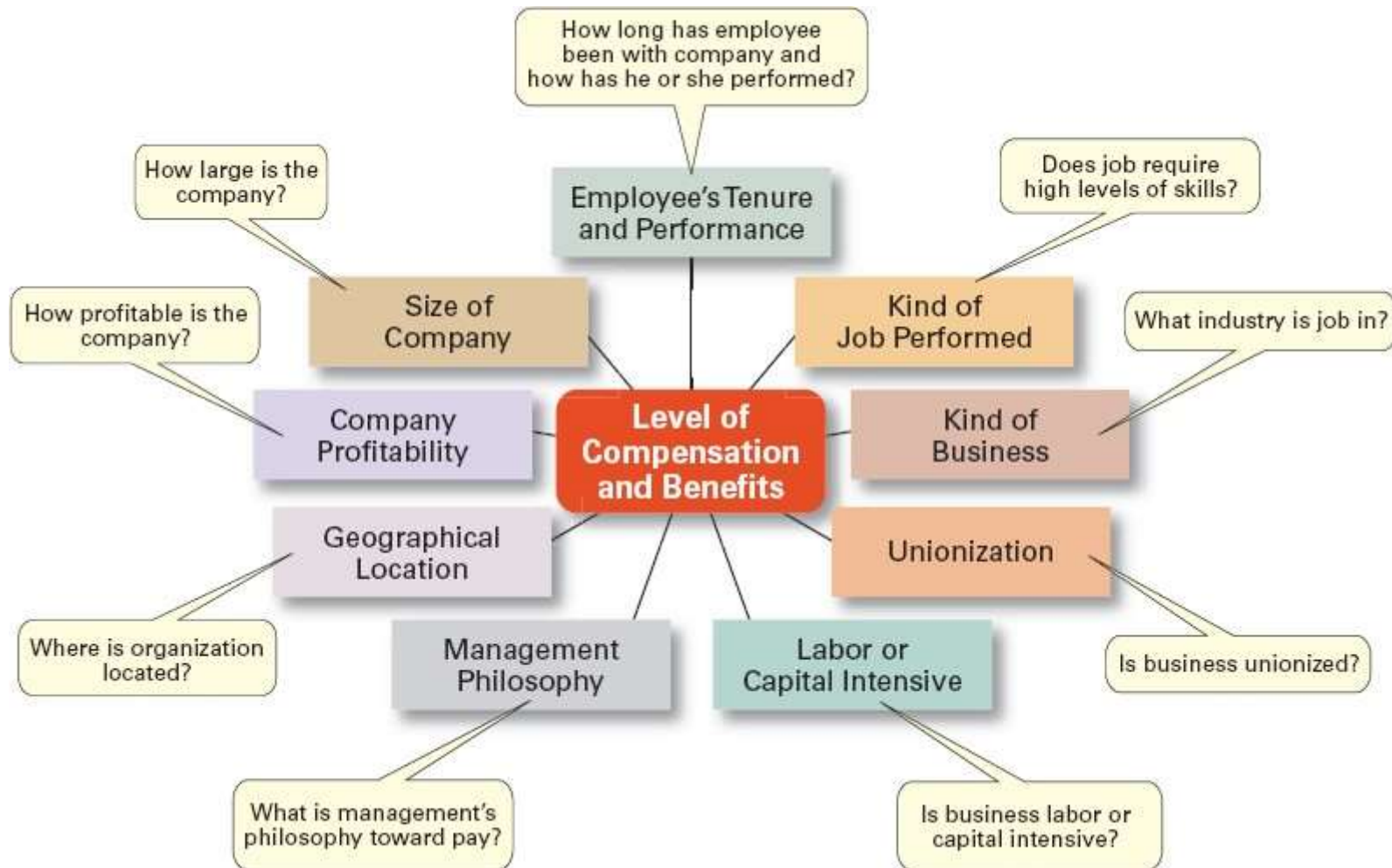
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Method	Advantage	Disadvantage
Written essays	Simple to use	More a measure of evaluator's writing ability than of employee's actual performance
Critical incidents	Rich examples; behaviorally based	Time-consuming; lack quantification
Graphic rating scales	Provide quantitative data; less time-consuming than others	Do not provide depth of job behavior assessed
BARS	Focus on specific and measurable job behaviors	Time-consuming; difficult to develop
Multiperson comparisons	Compares employees with one another	Unwieldy with large number of employees; legal concerns
MBO	Focuses on end goals; results oriented	Time-consuming
360-degree appraisals	Thorough	Time-consuming

# Compensation and Benefits

- **Benefits of a Fair, Effective, and Appropriate Compensation System**
  - Helps attract and retain high-performance employees
  - Impacts the strategic performance of the firm
- **Types of Compensation**
  - Base wage or salary
  - Wage and salary add-ons
  - Incentive payments
  - Skill-based pay
  - Variable pay

## Exhibit 10–11 Factors That Influence Compensation and Benefits



**Sources:** Based on R.I. Henderson, *Compensation Management*, 6<sup>th</sup> ed. (Upper Saddle River, NJ: Prentice Hall, 1994), pp. 3–24; and A. Murray, "Mom, Apple Pie, and Small Business," *Wall Street Journal*, August 15, 1994, p. A1

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# Contemporary Issues in Managing Human Resources

- **Managing Downsizing**

- The planned elimination of jobs in an organization
  - ⌘ Provide open and honest communication.
  - ⌘ Provide assistance to employees being downsized.
  - ⌘ Reassure and counseling to surviving employees.

- **Managing Workforce Diversity**

- Widen the recruitment net for diversity
- Ensure selection without discrimination
- Provide orientation and training that is effective

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## Exhibit 10–12 Tips for Managing Downsizing

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- **Communicate openly and honestly:**
  - Inform those being let go as soon as possible
  - Tell surviving employees the new goals and expectations
  - Explain impact of layoffs
- **Follow any laws regulating severance pay or benefits**
- **Provide support/counseling for surviving employees**
- **Reassign roles according to individuals' talents and backgrounds**
- **Focus on boosting morale:**
  - Offer individualized reassurance
  - Continue to communicate, especially one-on-one
  - Remain involved and available



# Current Issues in HRM (cont'd)

- **Sexual Harassment**

- An unwanted activity of a sexual nature that affects an individual's employment.
  - ⊗ Unwanted sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature when submission or rejection of this conduct explicitly or implicitly affects an individual's employment.
- An offensive or hostile environment
  - ⊗ An environment in which a person is affected by elements of a sexual nature.

- **Workplace Romances**

- Potential liability for harassment

# Current Issues in HRM (cont'd)

- **Work-Life Balance**

- Employees have personal lives that they don't leave behind when they come to work.
- Organizations have become more attuned to their employees by offering **family-friendly benefits**:
  - ⊗ On-site child care
  - ⊗ Summer day camps
  - ⊗ Flextime
  - ⊗ Job sharing
  - ⊗ Leave for personal matters
  - ⊗ Flexible job hours

# Current Issues in HRM (cont'd)

- Controlling HR Costs

- Employee health care

- ⊗ Encouraging healthy lifestyles

- Financial incentives

- Wellness programs

- Charging employees with poor health habits more for benefits

- Employee pension plans

- ⊗ Reducing pension benefits

- ⊗ No longer providing pension plans