Develop your own checklist.

These are only sample questions.

EMPLOYEE PROTECTION	OK	ACTION NEEDED
1. Is there a hospital, clinic, or infirmary for medical care near your business?	☐	☐
2. If medical and first-aid facilities are not nearby, do you have one or more employees trained in first aid?	☐	☐
3. Are your first-aid supplies adequate for the type of potential injuries in your workplace?	☐	☐
4. Are there quick water flush facilities available where employees are exposed to corrosive materials?	☐	☐
5. Are hard hats provided and worn where any danger of falling objects exists?	☐	☐
6. Are protective goggles or glasses provided and worn where there is any danger of flying particles or splashing of corrosive materials?	☐	☐
7. Are protective gloves, aprons, shields, or other means provided for protection from sharp, hot, or corrosive materials?	☐	☐
8. Are approved respirators provided for regular or emergency use where needed?	☐	☐
9. Is all protective equipment maintained in a sanitary condition and readily available for use?	☐	☐
10. Where special equipment is needed for electrical workers, is it available?	☐	☐
11. When lunches are eaten on the premises, are they eaten in areas where there is no exposure to toxic materials, and not in toilet facility areas?	☐	☐
12. Is protection against the effect of occupational noise exposure provided when the sound levels exceed those shown in the OSHA noise standard?	☐	☐

FIGURE 16-8 ***Continued***

CHAPTER 16

Application Case

The Dangerous Third Shift

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More than 100 years ago, Upton Sinclair wrote his famous book, *The Jungle*, about the outrageous conditions in Chicago-area slaughterhouses. Although slaughterhouse conditions have undoubtedly improved, working in meatpacking plants can still be strikingly dangerous.[255]

In one such plant, in Kansas, the first two (daytime) work shifts oversee the actual processing of approximately 6,000 cows per day. After that, the third, 11 P.M shift starts as the sanitation crews arrive. These workers have to wade through slippery conditions, including grease and parts left over from the day shifts' work. The sanitation crew's job is to clean the plant and its machines and conveyors with boiling water and disinfectants.

Several years ago, a female sanitation crew worker was finishing cleaning the belt on one of the conveyors. She had shut down the conveyor when she cleaned it. However, after turning it back on, she noticed she had missed some animal fat dirt below the conveyor. With the belt still moving she reached under it to get the dirt. She lost her balance and tried to catch herself, but her hand and then her arm were drawn into the machine and completely mangled.

Questions

16-11. No doubt many problems contributed to this severe accident. However, if you had to choose just one thing that you would tell the meatpacking company to change, what would it be?

16-12. Would it be advisable for them to set up a procedure for screening out accident-prone individuals? Why or why not? If so, how should they screen them?

16-13. Write a short position paper on the subject, "What should we do in this plant to get all our employees to behave more safely at work?"

16-14. Based on what you learned from this chapter, write a short position paper on the subject, "What should we do to reduce the chances of accidents like this in our meatpacking plant? Please make sure to list at least 5–10 specific things you would suggest.

Continuing Case

Carter Cleaning Company

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The New Safety Program

Employees' safety and health are very important matters in the laundry and cleaning business. Each facility is a small production plant in which machines, powered by high-pressure steam and compressed air, work at high temperatures washing, cleaning, and pressing garments, often under very hot, slippery conditions. Chemical vapors are produced continually, and caustic chemicals are used in the cleaning process. High-temperature stills are almost continually "cooking down" cleaning solvents in order to remove impurities so that the solvents can be reused. If a mistake is made in this process—like injecting too much steam into the still—a boilover occurs, in which boiling chemical solvent erupts out of the still and over the floor, and on anyone who happens to be standing in its way.

As a result of these hazards and the fact that chemically hazardous waste is continually produced in these stores, several government agencies (including OSHA and the Environmental Protection Agency) have instituted strict guidelines regarding the management of these plants. For example, posters have to be placed in each store notifying employees of their right to be told what hazardous chemicals they are dealing with and what the proper method for handling each chemical is. Special waste-management firms must be used to pick up and properly dispose of the hazardous waste.

A chronic problem the Carters (and most other laundry owners) have is the unwillingness on the part of the cleaning/spotting workers to wear safety goggles. Not all the chemicals they use require safety goggles, but some—like the hydrofluoric acid used to remove rust stains from garments—are very dangerous. The latter is kept in special plastic containers, since it dissolves glass. The problem is that wearing safety goggles can be troublesome. They are somewhat uncomfortable, and they become smudged easily and thus cut down on visibility. As a result, Jack has always found it almost impossible to get these employees to wear their goggles.

Questions

16-15. How should the firm go about identifying hazardous conditions that should be rectified? Use checklists such as those in Figures 16-6 and 16-8 to list at least 10 possible dry cleaning store hazardous conditions.

16-16. Would it be advisable for the firm to set up a procedure for screening out accident-prone individuals? How should they do so?

16-17. How would you suggest the Carters get all employees to behave more safely at work? Also, how would you advise them to get those who should be wearing goggles to do so?

Translating Strategy into HR Policies and Practices Case*,§

** The accompanying strategy map for this chapter is in MyLab Management; the overall map on the inside back cover of this text outlines the relationships involved.*

Improving Performance at the Hotel Paris

The New Safety and Health Program

The Hotel Paris's competitive strategy is "To use superior guest service to differentiate the Hotel Paris properties, and to thereby increase the length of stay and return rate of guests, and thus boost revenues and profitability." HR manager Lisa Cruz must now formulate functional policies and activities that support this competitive strategy and boost performance, by eliciting the required employee behaviors and competencies.

While "hazardous conditions" might not be the first thing that comes to mind when you think of hotels, Lisa Cruz knew that hazards and safety were in fact serious issues for the Hotel Paris. Indeed, everywhere you look—from the valets leaving car doors open on the driveways to slippery areas around the pools, to thousands of pounds of ammonia, chlorine, and other caustic chemicals that the hotels use each year for cleaning and laundry, hotels provide a fertile environment for accidents. Obviously, hazardous conditions are bad for the Hotel Paris. They are inhumane for the workers. High accident rates probably reduce employee morale and thus service. And accidents raise the company's costs and reduce its profitability, for instance, in terms of workers' compensation claims and absences. Lisa knew that she had to clean up her firm's occupational safety and health systems, for its employees' well-being, and to achieve the company's strategic goals.

Lisa and the CFO reviewed their company's safety records, and what they found disturbed them. In terms of every safety-related metric they could find, including accident costs per year, lost time due to accidents, workers' compensation per employee, and number of safety training programs per year, the Hotel Paris compared unfavorably with most other hotel chains and service firms. "Just in terms of extra workers' compensation costs, the Hotel Paris must be spending $500,000 a year more than we should be," said the CFO. And that didn't include lost time due to accidents, or the negative effect accidents had on employee morale, or the cost of litigation (as when, for instance, one guest accidentally burned himself with chlorine that a pool attendant had left unprotected). The CFO authorized Lisa to develop a new safety and health program.

Lisa and her team began by hiring a safety and health consultant, someone who had been an inspector and then manager with OSHA. Based on the analysis, the team then took numerous steps, including the following. First, specially trained teams consisting of someone from Lisa's HR group, the local hotel's assistant manager, and three local hotel employees went through each local hotel "with a fine-tooth comb," as Lisa put it. They used an extensive checklist to identify and eliminate unsafe conditions.

Lisa's team took other steps. They convinced the Hotel Paris's board of directors and chairman and CEO to issue a joint statement emphasizing the importance of safety, and the CEO, during a one-month period, visited each hotel to meet with all employees and emphasize safety. The Hotel Paris also contracted with a safety training company. This firm created special online safety programs for the company's managers, and developed five-day training seminars for the hotels' staffs.

The new programs seem to be effective. Lisa and the CFO were pleased to find, after about a year, that accident costs per year, lost time due to accidents, and workers' compensation expenses were all down at least 40%. And anecdotal evidence from supervisors suggested that employees feel better about the company's commitment to them and were providing better service as a result.

Questions

16-18. Based on what you read in this chapter of Dessler *Human Resource Management*, what's the first step you would have advised the Hotel Paris to take as part of its new safety and health program, and why?

16-19. List 10 specific high-risk areas in a typical hotel you believe Lisa and her team should look at now, including examples of the safety or health hazards that they should look for there.

16-20. Give three specific examples of how the Hotel Paris can use HR practices to improve its safety efforts.

16-21. Write a one-page summary addressing the topic, "How improving safety and health at the Hotel Paris will contribute to us achieving our strategic goals."

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MyLab Management

Go to **www.pearson.com/mylab/management** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

16-22. Based on everything you read in this chapter, what is Milliken doing "right" that you believe helps to explain why they have such a good safety record?
16-23. Describe the steps employers can take to reduce workplace violence.
16-24. MyLab Management only—comprehensive writing assignment for this chapter.

PERSONAL INVENTORY ASSESSMENTS

P I A PERSONAL INVENTORY ASSESSMENT

Controlling one's stress is important. Go to **www.pearson.com/mylab/management** to complete the Personal Inventory Assessment related to this chapter.

Key Terms

Occupational Safety and Health Act of 1970, 521
Occupational Safety and Health Administration (OSHA), 521
occupational illness, 521
citation, 524
unsafe conditions, 526
job hazard analysis, 528
operational safety reviews, 532
behavior-based safety, 536
safety awareness program, 536
burnout, 542

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For individuals who said they felt they had little control over how they did their jobs, high job demands were associated with a 15.4% increase in the odds of death compared to low job demands. As the researchers conclude, " . . . employers of individuals in highly demanding jobs in which employees also have little control should be aware of the increased risk of mortality facing their employees." Eric Gonzalez-Mule and Bethany Cockburn, "Worked to Death: The Relationships of Job Demands and Job Control with Mortality," *Personnel Psychology*, 70, 2017, pp. 73–112.

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17 Managing Global Human Resources

LEARNING OBJECTIVES

When you finish studying this chapter, you should be able to:

17-1 **List** the HR challenges of international business.

17-2 **Illustrate** with examples how intercountry differences affect HRM.

17-3 **List and briefly describe** the main methods for staffing global organizations.

17-4 **Discuss** some important issues to keep in mind in training, appraising, and compensating international employees.

17-5 **Discuss** similarities and differences in employee engagement around the globe.

17-6 **Explain** with examples how to implement a global human resource management program.

Hyundai Capital's strategy includes becoming what it calls a "Global One Company." For example, it is unifying its organizational structure, products and services, and management practices worldwide.[1] Its HR group needed a new human resource strategy to similarly ensure that its human resource practices in countries around the world were standardized. We'll see what they did.

WHERE ARE WE NOW . . .

More managers today are managing people internationally. The purpose of this chapter is to improve your effectiveness at applying your human resource knowledge and skills when global challenges are involved. The topics we'll discuss include **The Manager's Global Challenge, Adapting Human Resource Activities to Intercountry Differences, Staffing the Global Organization, Training and Maintaining Employees Abroad, Employee Engagement Globally**, and **Managing HR Locally: How to Implement a Global HR System.**

LEARNING OBJECTIVE 17-1

List the HR challenges of international business.

The Manager's Global Challenge

You don't have to dig very far to see how important international business is to companies here and abroad. For example, the total of U.S. imports plus exports rose from $562 billion in 1980, to about $5.2 *trillion* recently.[2] That growth has been great for all sorts of businesses, but also confronts managers with special challenges. For one thing, managers have to formulate and execute their marketing, product, and production plans on a global basis. Ford Motor, for instance, has a strategy aimed at offering similar Ford vehicles globally.

"Going global" also requires addressing international human resource management issues. For example, "Should we staff our local offices in Japan with local or U.S. managers?" And, "How should we appraise and pay our China employees?"

As we'll see in a moment, the challenging thing about managing HR globally is that what works in one country may not work in another. The employer faces an array of political, social, legal, and cultural differences among countries and people abroad. Therefore, for instance, telling employees in Russia that they're "empowered" and should use their initiative may prompt stony silence, while the same suggestion in Canada prompts initiatives and ideas. Distance adds to the challenge. For example, how should Starbucks' chief HR officer, based in Seattle, monitor Starbucks' human resource managers in China? Yet, challenging or not, the employer needs a way to deal with such questions.

international human resource management (IHRM)
The human resource management concepts and techniques employers use to manage the human resource aspects of their international operations, including acquiring, training, appraising, and compensating employees, and attending to their labor relations, health and safety, and fairness concerns.

What Is International Human Resource Management?

Employers rely on **international human resource management (IHRM)** to deal with global HR challenges like these.[3] We can define IHRM as the human resource management concepts and techniques employers use to manage the human resource aspects of their international operations, including acquiring, training, appraising, and compensating employees, and attending to their labor relations, health and safety, and fairness concerns. IHR managers address questions such as "What steps can we take to support the company's global strategy?" "What's the best way for us to pay our expatriate employees?" and "How can we best staff our assignments abroad with global leaders?"[4]

KNOWLEDGE BASE

LEARNING OBJECTIVE 17-2

Illustrate with examples how intercountry differences affect HRM.

Adapting Human Resource Activities to Intercountry Differences

As we said, the challenges of international human resource management don't just stem from the distances involved (though this is important). The bigger issue is dealing with the cultural, political, legal, and economic differences among countries and their people. The result is that what works in one country might fail in another.

Companies operating only within the United States generally have the luxury of dealing with a relatively limited set of economic, cultural, and legal variables. Economically the United States is a capitalist, competitive society. And while the U.S. workforce reflects a multitude of cultural and ethnic backgrounds, shared values (such as an appreciation for democracy) help to blur cultural differences. Different states and municipalities certainly have their own employment laws. However, a basic federal framework helps produce a predictable set of legal guidelines regarding matters such as employment discrimination and labor relations.

A company operating multiple units abroad doesn't face such homogeneity. For example, minimum legally mandated holidays range from none in the United Kingdom to 5 weeks in Luxembourg. Italy has no formal requirements for employee representatives on boards of directors, but they're usually required in Denmark. The point is that managers have to adapt their human resource policies and practices to the countries in which they're operating. Figure 17-1 sums up critical intercountry differences.

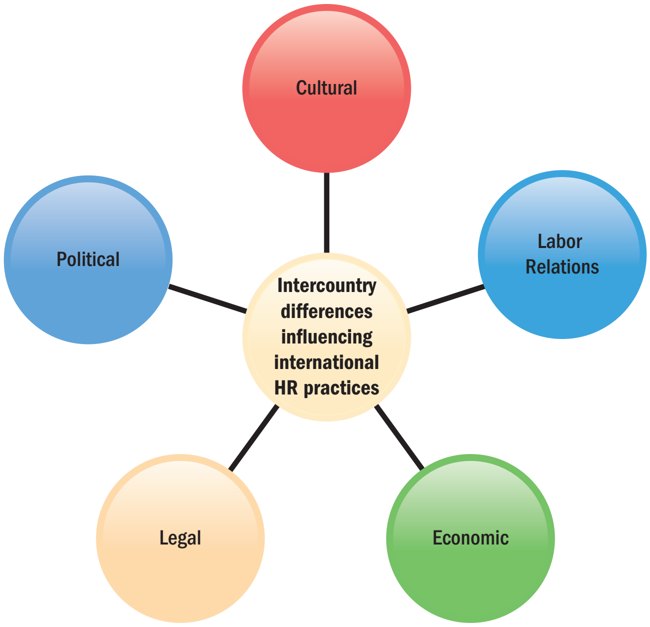


FIGURE 17-1 Critical Intercountry Differences That Influence International HR Practices

Cultural Factors

For example, countries differ widely in their *cultures*—in other words, in the basic values, assumptions, and understandings their citizens share.[5] Peoples' values and assumptions tend to drive what they do, and so cultural differences manifest themselves in how people in different countries think and act. For example, one Michelin executive said that when he gives performance feedback in France, employees don't think it's necessary to mention what's right because they know what they've done right. He focuses instead on what's wrong.[6] That approach would surprise most U.S. employees, so there's a tendency for U.S. managers to sugarcoat what's wrong. In China, heads of companies are inclined to see employees as members of their family, but in turn demand much of them.[7]

As another example, one expert says that workers around the world tend to have differing attitudes toward authority and decision making.[8] With respect to *authority*, countries range from egalitarian to hierarchical. For example, in the more egalitarian United States and Canada, managers emphasize worker empowerment and soliciting input, while in hierarchical countries like Saudi Arabia and Russia authority clearly resides in top managers. Similarly, differences in how they *make decisions* characterize cultures around the world. Thus, in the United States and Mexico, top-down decision making tends to be the rule, while in Sweden and Japan the emphasis is on consensus decisions.

Such differences can cause consternation for multinational employers. For example, employees in hierarchical countries such as Indonesia might react negatively to a manager from the U.S. soliciting their opinions. Similarly, employees in egalitarian countries like Sweden, (where even schoolchildren call their teachers by their first name) might react negatively to a boss from abroad who emphasizes his or her "bossiness."

THE HOFSTEDE STUDY Studies by Professor Geert Hofstede further illustrate international cultural differences. Hofstede says societies differ in five values, which he calls *power distance, individualism, masculinity, uncertainty avoidance,* and *long-term orientation.* For example, power distance represents the degree to which less-powerful people accept the unequal distribution of power in society.[9] He concluded that acceptance of such inequality was higher in some countries (such as Mexico) than in others (such as Sweden).[10] In turn, such differences manifest themselves in different behaviors. To see how your country's culture compares with others, go to https://geerthofstede.com/culture-geert-hofstede-gert-jan-hofstede/6d-model-of-national-culture/.

Such cultural differences influence human resource policies and practices. For example, Americans' emphasis on individuality may help explain why European managers have more constraints, such as in dismissing workers.[11] As another example, in countries with a history of autocratic rule, employees often had to divulge information. Here, whistle-blower rules are less popular.[12]

KNOWLEDGE BASE

Legal Factors

Employers expanding abroad must also be familiar with the labor laws in the countries they're entering. For example, in India, companies with more than 100 workers need government permission to fire anyone.[13] In Brazil, firing someone without "just cause" could trigger a fine of 4% of the total amount the worker ever earned.[14]

Similarly, the U.S. practice of employment at will doesn't exist in Europe, where firing or laying off workers is usually expensive. One firm there hired someone as an independent contractor, only to find later that they owed the person hundreds of thousands of dollars in back taxes and penalties for misclassifying the person.[15] And in many European countries, **works councils**—formal, employee-elected groups of worker representatives—meet monthly with managers on topics ranging from no-smoking policies to layoffs.[16] *Codetermination* is the rule in Germany and several other countries. **Codetermination** means workers have the right to have their own elected representatives on the employer's supervisory board.[17]

works councils
Formal, employee-elected groups of worker representatives.

codetermination
Employees have the legal right to a voice in setting company policies.

Economic Systems

Similarly, differences in *economic systems* translate into differences in intercountry HR practices. In *market* economies (such as the United States), governments play a relatively restrained role in deciding what will be produced and sold at what prices. In *planned* economies (such as North Korea), the government decides and plans what to produce and sell at what price. In *mixed* economies (such as China), many companies are still state owned, while others make decisions based on market demand.

Differences in economic systems tend to translate into differences in human resource management policies. For instance, dismissing employees in China or Europe is more difficult than in the United States. Labor costs also vary widely. For example, hourly compensation costs (in U.S. dollars) for production workers range from

Employers need to adapt their HR practices to the cultures of the countries where they do business.

Shafiqul Alam/Alamy Stock Photo

$2.10 in the Philippines to $9.46 in Taiwan, $35.67 in the United States, $45.79 in Germany, to $63.86 in Norway.[18]

HR Abroad Example: The European Union

To appreciate the employment effects of cultural, economic, and legal differences like these, consider Europe and China. The separate countries of the former European Community (EC) unified into a common market for goods, services, capital, and even labor called the *European Union (EU)*. Tariffs for goods moving across borders from one EU country to another generally disappeared, and employees generally move freely between jobs in EU countries. The introduction of a single currency (the euro) by a subset of EU countries further blurred differences. Despite (or perhaps partly because of) Greece's fiscal problems, EU countries today are discussing moving toward increased economic integration.

Companies doing business in Europe must adjust their human resource policies and practices to EU directives (laws), as well as to country-specific employment laws. The directives are binding on all member countries, but each country can implement them as they wish. Some laws are applied fairly similarly across Europe. For example, Germany has high barriers to dismissal, in Italy poor performance is not a reason for dismissal, and in Norway a dismissal must be justified based on the evidence.[19] (Whirlpool Corporation spent more than 3 years trying to eliminate 500 jobs in Italy, while [for better or worse] it took them less than a year to dismiss 1,000 people in Arkansas.)[20] Other details, such as whether job offers must be in writing, and whether there is a mandatory minimum wage (yes in Germany, no in Austria) vary among European countries.[21]

HR Abroad Example: China

For years, employers relied on China's huge workforce to provide products and services at low cost. Part of the reason for the low labor cost was the dearth of labor laws on things like severance pay, minimum wages, and benefits.

But things are changing. For one thing, China's workforce, while still huge, is growing less quickly. For another, China enacted a labor law. This adds many new employment protections for employees, and makes it more expensive for employers in China to implement personnel actions such as layoffs. Multinational companies doing business in China argue that the law will raise labor costs and make it difficult to lay off employees, by instituting new severance package rules.[22] Local firms, including the remaining state-owned enterprises, tend to use fewer modern human resource management tools than do private Chinese multinationals like Lenovo, but they must all deal with the fallout of the labor law. There are therefore wide variations in how companies in China deal with HR issues such as the following.[23]

RECRUITING Compared to some Western countries, it is still relatively difficult to recruit, hire, and retain good employees. China's employment contract law requires, among many other things, that employers report the names, sexes, identification numbers, and contract terms for all employees they hire within 30 days of hiring to local labor bureaus.[24]

In China, recruiting effectiveness depends on nonrecruitment human resource management issues. Employees gravitate toward employers that provide the best career advancement training and opportunities.[25] Firms like Siemens China, with impressive training and development programs, have the least difficulty attracting good candidates. Poaching employees is a serious matter in China. The employer must verify that the applicant is free to sign a new employment agreement.

SELECTION The dominant employee selection method involves analyzing the applicant's résumé and then interviewing him or her. The ideal way to do this is to institute a structured interview process, as many of the foreign firms in China have done.

COMPENSATION Although many managers endorse performance-based pay in China, other employers, to preserve group harmony, make incentive pay a small part of the pay package. And, as in other parts of Asia, team incentives are advisable.[26]

LABOR UNIONS Chinese facilities of IBM, PepsiCo, Walmart, and others have seen extensive strikes by Chinese workers.[27] Several things may be contributing to the strikes. China's new labor law expands workers' rights. An aging population in China means a diminishing supply of factory workers. And China's government may see the strikes as a way of raising workers' incomes and thus boosting consumer spending. China's All-China Federation of Trade Unions is closely tied to the government.

Staffing the Global Organization

LEARNING OBJECTIVE 17-3

List and briefly describe the main methods for staffing global organizations.

International employers' focus today is increasingly on managing human resource activities locally. In other words, their main concern is on selecting, training, appraising, and managing the in-country employees where they do business. However, deciding whether to fill local positions with local versus expatriate ("imported") employees remains a major concern.

HR in Action at the Hotel Paris On reviewing the data, it was apparent to Lisa and the CFO that the company's global human resource practices were probably inhibiting the Hotel Paris from being the world-class guest services company that it sought to be. To see how they handled this, see the case on page 585 of this chapter.

International Staffing: Home or Local?

In general, we can staff an international company with *expatriates, parent (or home-country) nationals, locals (host-country nationals),* or *third-country nationals*.[28] **Expatriates (expats)** are noncitizens of the countries in which they are working. In terms of where they come from, expatriates may also be **parent** or **home-country nationals,** citizens of the country in which the company is headquartered. Expatriates may also be **third-country nationals** —citizens of a country other than the parent or the host country—for example, a French executive working in the Beijing office of IBM. (And not all expatriates are sent there by employers; many recent graduates, academics, and business professionals decide to move, live, and work abroad.)[29] **Locals** (also known as *host-country nationals*) work for the company abroad and are citizens of the countries where they are working.

expatriates (expats)
Noncitizens of the countries in which employees are working.

parent or home-country nationals
Citizens of the country in which the multinational company has its headquarters.

third-country nationals
Citizens of a country other than the parent or the host country.

locals
Citizens of the countries in which employees are working; also called *host-country nationals*.

Internationalization Stage, Values, and Staffing Policy

Whether to use expatriates, locals, or some other type generally depends on quantifiable considerations (such as cost). However, it's not just hard facts that influence such decisions. Top management's personal inclinations and the company's stage in internationalization affect these decisions too. As a result, some companies are just more expat-oriented or local-oriented. Experts here distinguish among *ethnocentric, polycentric*, or *global* companies.

In an **ethnocentrically** oriented company, the company tends to staff its positions abroad with employees from its headquarters—with parent-country nationals, in other words.[30] The **polycentric** company staffs positions abroad with local or host-country employees. And the **global** company aims to attract the best candidates globally, including freely using third-country nationals to staff its positions around the world with the best people available.

ethnocentric
Here the company staffs its positions abroad with employees from its headquarters—with parent-country nationals, in other words.

polycentric
Here the company staffs positions abroad with local or host-country employees.

global
The global company aims to attract the best candidates globally, including freely using third-country nationals to staff its positions around the world with the best people available.

The company's stage in internationalization and its managers' inclinations both affect whether the company is inclined toward being ethnocentric, polycentric, or global in its staffing.[31] Companies new to the international arena may well run their international operations from "international" units within their corporate headquarters.[32] Here, the practical need to quickly transfer know-how abroad and to maintain a unified corporate culture and tighter control argue for an ethnocentric approach:[33] The company transfers abroad people (as expatriates) it knows well.

That "international" structure may evolve into a "multinational" structure, where subsidiaries abroad (often with their own HR units) largely control themselves. This tends to favor a polycentric staffing approach, wherein local, host-country employees, who know the local conditions best, staff the company's local positions.

Today, for many companies, the trend is toward being "global" companies. Global companies seek to be fully integrated. For example, a car to be sold throughout the world might be designed in France and manufactured in China and the United States with parts from Japan. Global companies not surprisingly tend to use a global philosophy in staffing its positions around the world, by filling positions with the best people—whether host-country nationals, locals, or third-country nationals.

EXPATS VERSUS LOCALS There are other considerations in using expats over locals. The employer may be unable to find local candidates with the required qualifications. Companies like GE traditionally viewed a successful stint abroad as a required step in developing top managers. Furthermore, home-country managers are already steeped in the firm's policies and culture, and thus more likely to apply headquarters' ways of doing things. Expatriates may also find it easier to coordinate with their former colleagues at the company's parent-country headquarters than would host-country locals.[34]

However, posting expatriates abroad is expensive, security problems give potential expatriates pause, returning expatriates often leave for other employers within a year or two, and educational facilities are turning out top-quality candidates abroad. As a result, new expatriate postings tend to be down. A survey several years ago found that about 47% of U.S. multinationals were maintaining the size of their expat workforces, 18% were increasing it, and 35% were decreasing it.[35] However, about half the global companies in another survey said they were doubling the number of expats they send to fast-growing countries such as China.[36]

From a practical point of view, most employees will be locals, for good reason. First, the cost of using expatriates is usually far greater than that of local workers.[37] Furthermore, in one survey, employers reported a 21% attrition rate for expatriate employees, compared with 10% for their general employee populations.[38] Local people will also probably better deal with local political issues than will expatriates.[39]

TRENDS SHAPING HR: *DIGITAL AND SOCIAL MEDIA*

Job Boards Abroad

Although a few U.S.-based job boards (like Indeed, and Monster) are global, most countries have their own major job boards. For instance, there is www.51job.com in China, www.careerone.com.au in Australia and New Zealand, and www.laborum.cl in Latin America.[40] ■

OTHER SOLUTIONS The choice is not just between expatriate versus local employees. For example, there are "commuter" solutions, involving frequent international travel but no formal relocation.[41]

One survey found that about 78% of surveyed employers had some form of "localization" policy. This is a policy of transferring a home-country national employee to a foreign subsidiary as a "permanent transferee."[42] For example, U.S. IBM employees originally from India eventually filled many of the 5,000 jobs that IBM shifted from the United States to India. These employees elected to move back to India, albeit at local India pay rates. The human resource team needs to control expat expenses, as the accompanying Profit Center feature explains.

IMPROVING PERFORMANCE: *HR AS A PROFIT CENTER*

Reducing Expatriate Costs

Given the expense of sending employees abroad for overseas assignments, the employer's human resource team plays a big role in controlling and reducing expatriate costs. A survey shows some of the steps HR managers are taking to reduce these expenses.[43] First, companies are upping the numbers of short-term assignments they make. This lets them use short-term expats to replace some long-term expats (and their families) who the company must maintain abroad for extended periods. Fifty percent of the companies surveyed are also replacing some expatriate postings with local hires. With an eye on cutting costs, many employers were also reviewing their firms' policies regarding such things as housing, education, and home leave, along with expatriate allowances and premiums (cost-of-living allowance and mobility/quality-of-living premiums).[44] The bottom line is that there's a lot human resource managers can do to cut costs and boost profits by better managing expat assignments. ■

MyLab Management Talk About It 1

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion question. What else would you do to cut expat expenses?

OFFSHORING As we explained in Chapter 5, *offshoring*—moving business processes such as manufacturing or call-center operations abroad, and thus having local employees abroad do jobs that the firm's domestic employees previously did in-house—is another staffing option.

IBM Business Consulting Services surveyed employers to see what roles HR was playing in offshoring and overseas site selection decisions.[45] Here, human resource managers help top management:[46]

- To understand the *local labor markets*, for example, in terms of their size, education levels, and unions.
- To understand how the firm's current *employment-related reputation* in the locale may affect outsourcing to here.
- To decide how much the firm should *integrate the local workforce* into the parent firm's corporate organization. For example, engineers might best become employees. Others (such as call centers) might best remain employees of vendor firms.
- To deal with skill shortages.[47] This often requires using signing bonuses, higher wages, and improved promotion opportunities.
- To identify how to reduce attrition. This might include more training and development, better compensation, and improved career opportunities.

TRENDS SHAPING HR: *DIGITAL AND SOCIAL MEDIA*

Using Global Virtual Teams

virtual teams
Groups of geographically dispersed and generally same-level coworkers who meet and interact using information technologies to accomplish an organizational task.

Advances in telecommunications make it far easier today to carry out international projects and operations using global virtual teams. Global **virtual teams** are groups of geographically dispersed and generally same-level coworkers who meet and interact using information technologies to accomplish an organizational task.[48] For example, two multinational pharmaceutical companies used a multinational team with members from four continents to address detailed postmerger operational integration problems.

In a Skype and FaceTime world, virtual teams are both practical and popular. Collaborative software systems such as Microsoft NetMeeting conference system,[49] Cisco WebEx,[50] and GoToMeeting[51] enable virtual teams to hold live project reviews and discussions, share documents and exhibits, and store the sessions on the project's Web site. Cloud-based tools such as Huddle[52] allow team members to attend from wherever they are using mobile devices, Microsoft Project lets project team members manage tasks and flag issues and risks,[53] and Dropbox[54] facilitates cloud-based document storage. If necessary, large-screen tools such as Cisco Immersive TelePresence[55] make it seem as if team members are together in the same room, although they may be thousands of miles apart.

The main challenges virtual teams face are often people related. Challenges include building trust, cohesion, and team identity, and overcoming the isolation among team members. Similarly, if most team members reside in one country, the others may assume that the real power also lays in that country. Here the solution is to stress that the team has a unified goal and a common purpose.[56] The point is that human resource management plays an important role in such teams' success. Selecting virtual team members for their interpersonal skills, and then training them to deal with potential problems such as conflict avoidance and how to build trust is important. ■

Selecting International Managers

In most respects, screening managers for jobs abroad is similar to screening them for domestic jobs. Candidates need the technical knowledge and skills to do the job, and the required intelligence and people skills. Testing is widely used.

However, foreign assignments are different. The expatriate and his or her family will have to cope with and adapt to colleagues whose culture may be very different from their own. And, there's the stress of being in a foreign land. Ironically, one study a while ago concluded, "Traditionally, most selection of expatriates appears to be done solely on the basis of successful records of job performance in the home country."[57] The candidate's ability to adapt to a new culture is often secondary. That's exactly opposite from what it should be.

REALISTIC PREVIEWS Ideally, international assignee selection should therefore include *realistic previews*, and *adaptability screening procedures*.[58] Even in the most familiar countries there will be language barriers, and challenges for the family including homesickness and the need to adapt to new friends. It's important here to both reduce unrealistic expectations and familiarize the expat with potential challenges and benefits.[59] Realistic previews about what to expect, covering both problems and benefits, are therefore important. Many employers have prospective expat families meet with recently returned expats and their spouses to get that sort of information. Beyond that, social media such as www.linkedin.com (see their global expat network) and www.expatfinder.com are excellent sources of information, suggestions, support, and employment leads and connections for expats or for those considering a job abroad. A typical link you'll find at those sites is https://www.linkedin.com/company/aramco-expats.[60]

adaptability screening
A process that aims to assess the assignees' (and spouses') probable success in handling a foreign transfer.

ADAPTABILITY SCREENING Similarly, with adaptability important, **adaptability screening** should be part of the screening process. Employers often use psychologists for this. Adaptability screening aims to assess the assignee's (and spouse's) probable success in handling the foreign transfer, and to alert them to issues (such as the impact on children) the move may involve. Here, companies often look for overseas candidates whose work and nonwork experience, education, and language skills already demonstrate living and working with different cultures. Even several summers traveling overseas or in foreign study programs can provide some basis to believe the candidate can adjust abroad.

TESTING Selection testing is useful for expat selection. In terms of personality, sociable, outgoing, conscientious people seem more likely to fit into new cultural settings.[61] Similarly, expatriates who are more satisfied with their jobs abroad are more likely to adapt to the foreign assignment.[62] Employers have used the Overseas Assignment Inventory (OAI) for many years to help assess, select, and develop expatriates for assignments abroad. The OAI is an online assessment that measures attributes crucial for successful adaptation to another culture.[63] As another example, expat success also requires an "international mind-set." Employers sometimes measure this with the "Global Mindset Inventory." Sample questions include "Knows how to work well with people from different parts of the world?" And "Enjoys exploring different parts of the world?"[64]

Diversity Counts: Sending Women Managers Abroad

While women represent about half of the middle managers in U.S. companies, they represent only about 20% of managers sent abroad.[65] That's up from about 3% in the 1980s and 15% in 2005, but still low.[66] What accounts for this?

For one thing, misperceptions abound.[67] Line managers make these assignments, and many still probably assume that many women don't want to work abroad, or can't get their spouses to join them. However, a survey of female expatriates found enthusiasm. Why did they take their assignments? "Career development" was number one. Other reasons included "cultural understanding," "gaining experience," "doing something different," "personal goals," and "development learning."[68]

Fear of cultural prejudices against women is another issue. In some cultures, women do have to follow different rules, for instance, in terms of attire. But as one expat said, "Even in the more harsh cultures, once they recognize that the women can do the job . . . it becomes less of a problem."[69] Safety is another concern. Employers tend to assume that women abroad are more likely to become crime victims. However, most surveyed women expats said that safety was no more an issue with women than it was with men.[70]

Employers can take several steps to identify more women to assign abroad. For example, *formalize a process* for identifying employees who are willing to take assignments abroad. (At Gillette, for instance, supervisors use the performance review to identify the subordinate's career interests, including for assignments abroad.) *Train managers* to understand how their employees really feel about going abroad. And let successful female expats *help recruit* prospective female expats. And provide the expat's spouse with *employment assistance*.[71] ■

LEGAL ISSUES There are various legal considerations when hiring for assignments abroad. For example, as we explained in Chapter 2 (Equal Opportunity), American equal employment opportunity laws, including Title VII, the ADEA, and the ADA, do affect qualified employees of U.S. employers doing business abroad, and foreign firms doing business in the United States or its territories. If equal employment opportunity laws conflict with the laws of the country in which the U.S. employer is operating, the laws of the local country generally take precedence.[72]

Avoiding Early Expatriate Returns

As a rule, "expatriates typically experience a gradual increase in work adjustment over time."[73] However, many expat assignments do fail, usually ending in an early unplanned return. Determining why the foreign assignment of a technically qualified expat failed is a cottage industry, but two factors loom large—the expat's personality, and family pressures.

As noted, a big part of the problem is how they're chosen in the first place. The tendency is to choose expats for their technical expertise and successful work achievements, but going abroad actually requires an expanded skill set (including adaptability). For example, as noted, sociable, outgoing, conscientious people seem more likely to fit into new cultural settings.[74] Studies also suggest that it's not how different culturally the host country is from the person's home country that causes problems; it's the person's cross-cultural awareness and ability to adapt.[75] Some people are so culturally at ease that they do fine transferred anywhere; others will fail anywhere.[76] Careful selection is therefore in order.

Violations of what the expatriate sees as his or her psychological contract with the employer (the unwritten rules, agreements, and expectations governing the person's position abroad) may add to expatriate failure.[77] Similarly, expatriates who are more satisfied with their jobs abroad are more likely to adapt to the foreign assignment.[78] Therefore, realistic previews and then monitoring and communicating with the expat are important.

FAMILY PRESSURES However, it is usually not technical or personality factors but family and personal ones that undermine international assignees. One solution here is to provide *realistic previews* of what to expect abroad, careful *screening* (of both the prospective expat and his or her spouse), and improved *orientation* (discussions with recent returnees about the challenges of the foreign posting, for instance). Other suggestions include: *shorten the* *length* of the assignment;[79] and form *"global buddy"* programs, wherein local managers and their spouses assist new expatriates and their families with advice on things such as office politics, norms of behavior, and emergency medical care.[80] Most expatriates and their families make use of medical care while abroad; their main concern isn't the cost, but rather the quality of health care.[81] Providing site-specific orientation and language training are also valuable. The HR Tools feature sums up some suggestions.

IMPROVING PERFORMANCE: *HR TOOLS FOR LINE MANAGERS AND SMALL BUSINESSES*

Some Practical Solutions to the Expatriate Challenge

Expat failure is expensive; managers can take several practical steps to improve the expat's success abroad.

- ✓ *Carefully select* expatriates, using expat-relevant criteria such as sociability and adaptability, rather than just technical skills.
- ✓ *Provide realistic previews* of what to expect abroad, *careful screening* (of both the prospective expat and his or her spouse), *improved orientation,* and *improved benefits* packages.
- ✓ *Shorten the length* of the assignment.
- ✓ *Form "global buddy"* programs. Here local managers assist new expatriates with advice on things such as office politics, norms of behavior, and where to receive emergency medical assistance.[82]
- ✓ *Use executive coaches* to mentor and work with expatriate managers.[83] ■

MyLab Management Talk About It 2

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion topic. Choose one country abroad, and write 200 words on this topic: "Here is what we should cover in our realistic preview to someone we are sending to this country."

KNOWLEDGE BASE

Training and Maintaining Employees Abroad

Orienting and Training Employees on International Assignment

LEARNING OBJECTIVE 17-4

Discuss some important issues to keep in mind in training, appraising, and compensating international employees.

When it comes to the orientation and training required for expatriate success abroad, the practices of many U.S. employers reflect more talk than substance. Executives agree that international assignees do best when they receive the special training (in things like language and culture) that they require. Few provide it.

Many vendors offer packaged predeparture training. In general, the programs use on- and offline lectures, simulations, videos, and readings to prepare trainees. Their offerings illustrate the aim and content of such programs. One program aims to provide the trainee with (1) the basics of the new country's history, politics, business norms, education system, and demographics; (2) an understanding of how cultural values affect perceptions, values, and communications; and (3) examples of why moving to a new country can be difficult, and how to manage these challenges.[84] Others aim to build cross-cultural understanding, cross-cultural relationships and trust, and one's ability to communicate across cultures.[85] Global LT's "Living and Working Successfully" courses (https://global-lt.com/) "allow expatriate individuals and their families to gain a comprehensive understanding of the culture and business practices of their destination country. This course will help assignees more readily adjust to the work style and culture of an international assignment destination."[86]

Some employers use returning managers to cultivate the global mind-sets of those departing. For example, Bosch holds regular seminars, where newly arrived returnees pass on their experience to managers and their families going abroad.

ONGOING TRAINING Beyond such predeparture training, many firms provide continuing, in-country cross-cultural, and other training, particularly during the early stages of an overseas assignment.

For example, managers abroad (both expats and locals) continue to need traditional skills-oriented development. At many firms, including IBM, this includes rotating assignments, which help overseas managers grow professionally. IBM and other firms also have management development centers around the world where executives can hone their skills. And classroom programs (such as those at the London Business School or at INSEAD in France) provide overseas executives the educational opportunities (to acquire MBAs, for instance) that stateside colleagues have. PepsiCo encourages expatriates to engage in local social activities, such as table tennis tournaments in China, to help them become acclimated faster to local cultures.[87] Starbucks brings new management trainees from abroad to its Seattle, Washington, headquarters. This gives them "a taste of the West Coast lifestyle and the company's informal culture," as well as the technical knowledge required to manage their local stores.[88]

International development activities can have other, less-tangible benefits. For example, rotating their assignments helps managers form bonds with colleagues around the world. These can help the managers form the informal networks they need to make cross-border decisions more expeditiously.

Ethics and Codes of Conduct

Employers also need to make sure their employees abroad are adhering to their firm's ethics codes. However, exporting a firm's ethics rules requires more than giving employees abroad versions of a U.S. employee handbook. For example, few countries abroad adhere to "employment at will." Therefore, even handbooks that say, "We can fire employees at will" won't enable one to dismiss employees.[89] Instead of exporting the employee handbook, some distribute and publicize a global code of conduct.

Often, the employer's main concern is establishing global standards for adhering to U.S. laws that have cross-border impacts. For example, IBM paid $10 million to settle accusations that it had bribed Chinese and South Korean officials to get $54 million in government contracts.[90] Global employers need global codes of conduct on things like discrimination, harassment, bribery, and Sarbanes–Oxley.

Performance Appraisal of International Managers

Given the high costs of expatriate failure, appraising the expat is important.[91] However, several things complicate appraising an expatriate's performance. Cultural differences are one. For example, a candid exchange is often the norm in France, but sometimes less so in Japan, where "face" is a concern. Furthermore, the "cultural distance" in terms of basic values and ways of doing things is much wider between some countries (such as between Japan and South Africa) than others (such as between the United States and England). With more people involved, such cultural differences can particularly distort the multisource or "360-degree" feedback one gets from peers and subordinates. Therefore, particularly for expatriate employees, "peer and subordinate ratings should be used for feedback related to development, and only supervisor ratings should be used to make HR administrative decisions such as performance appraisal and merit pay."[92]

Furthermore, who does the appraisal? Local managers must have some input, but, again, cultural differences may distort the appraisals. On the other hand, home-office managers may be so out of touch that they can't provide useful input. The sensible alternative is probably to let both have some input, but most companies probably emphasize the local manager's opinion. Some suggestions for improving the expatriate appraisal process include the following:

1. Adapt the performance criteria to the local job and situation.
2. Weigh the evaluation more toward the on-site manager's appraisal than toward the home-site manager's.
3. If the home-office manager does the appraisal, have him or her use a former expatriate from the same location abroad for advice.

Many global employers bring their international managers together periodically for training seminars.

Cathy Yeulet/123RF

Compensating Managers Abroad

As discussed in Chapter 11 (Compensation), the usual way to formulate expatriate pay is to equalize purchasing power across countries, a technique known as the *balance sheet* approach; about 78% of respondents in one survey used it.[93] The basic idea is that each expatriate should enjoy the same standard of living he or she would have at home. Some use a *localization* compensation policy—they pay the incoming expat a salary comparable to what a local person would earn, but supplement that with payments to let the expat maintain his or her home-country standard of living.[94] In any case, the bottom line is that the pay plan must be competitive enough to get the person to move.

In practice, this usually boils down to building the expatriate's total compensation around five or six separate components. Table 17-1 illustrates the balance sheet approach. In this case, the manager's annual earnings are $160,000, and she faces a U.S. income tax rate of 28%. (Multiple-nation taxation can be a problem. Respondents often list "tax compliance" as the top challenge in sending employees abroad.)[95] Other costs are based on the index of living costs abroad published in the "U.S. Department of State Indexes of Living Costs Abroad, Quarters Allowances, and Hardship Differentials," available via the www.state.gov Web site.[96]

To help the expatriate manage his or her home and foreign financial obligations, most employers use a *split pay* approach; they pay, say, half a person's actual pay in home-country currency and half in the local currency.[97] For compensating *host country*

TABLE 17-1 The Balance Sheet Approach (Assumes U.S. Base Salary of $160,000)

Annual Expense	Home Assignment Chicago, U.S.	Shanghai, China (US $ Equivalent)	Allowance
Housing and utilities	$35,000	$ 44,800	$ 9,800
Goods and services	6,000	7,680	1,680
Taxes	44,800	57,344	12,544
Discretionary income	10,000	12,800	2,800
Total	$95,800	$122,624	$26,824

nationals, employers tend to use a similar process to what they use at home, namely methods like job grading to create equitable pay plans adjusted for local market conditions.[98]

Determining pay rates abroad isn't easy. Although there is a wealth of compensation survey data available in the United States, such data are not as easy to come by overseas. Some multinationals therefore conduct their own local annual compensation surveys. For example, Kraft has conducted one of total compensation in Europe. However, most employers abroad do probably purchase one or more of various international salary surveys such as the Call Centre Remuneration Report/Australia, from Aon Hewitt, or the International Salary Survey Database/United Arab Emirates, from Executive Resources Limited.[99]

EXPATRIATE PAY EXAMPLE As one expat pay example, those working for the company CEMEX (a multinational building supplies company)

> . . . get foreign service premium equal to a 10% increase in salary. Some get a hardship premium, depending on the country; it ranges from zero in a relatively comfortable posting to, for example, 30% in Bangladesh. We pay for their housing. We pay for their children's schooling up to college. There's home leave—a ticket back to their home country for the entire family once a year. There are language lessons for the spouse. And we gross up the pay of all expats, to take out the potential effects of local tax law. Say you have an executive earning \$150,000. This person would cost close to \$300,000 as an ex-pat.[100]

foreign service premiums
Financial payments over and above regular base pay, typically ranging between 10% and 30% of base pay.

hardship allowances
Payments that compensate expatriates for exceptionally hard living and working conditions at certain locations.

mobility premiums
Typically, lump-sum payments to reward employees for moving from one assignment to another.

INCENTIVES Employers use various incentives to encourage the employee to take the job abroad.[101] For example, **foreign service premiums** are financial payments over and above regular base pay. These typically range from 10% to 30% of base pay, and appear as weekly or monthly salary supplements. **Hardship allowances** compensate expatriates for hard living and working conditions at certain foreign locations. (U.S. diplomats posted to Iraq receive about a 70% boost in base salary, among other incentives.)[102] **Mobility premiums** are typically lump-sum payments to reward employees for moving from one assignment to another. In at least one way, executive compensation systems around the world are becoming more similar.[103] Specifically, U.S. firms that offer overseas managers long-term incentives often use overall corporate performance criteria (like worldwide profits) when awarding incentive pay.

STEPS IN ESTABLISHING A GLOBAL PAY SYSTEM Balancing global consistency in compensation with local considerations starts with establishing a rewards program that makes sense in terms of the employer's strategic aims.[104] Then the employer turns to more micro issues, such as, is how we're paying our employees abroad competitive?[105] Steps to follow in creating a global pay system include these:[106]

Step 1. Set strategy. First, formulate longer-term strategic goals, for instance, in terms of improving productivity or boosting market share.

Step 2. Identify crucial executive behaviors. Next, list the actions you expect your executives to exhibit in order to achieve these strategic goals.

Step 3. Global philosophy framework. Next, step back and ask how you want *each pay component* (salary, bonus, incentives, and so forth) to contribute to prompting those executive actions.

Step 4. Identify gaps. Next, ask, "To what extent do our pay plans around the world now support these actions, and what changes if any are required?"

Step 5. Systematize pay systems. Next, create more consistent performance assessment practices, and establish consistent job requirements and performance expectations for similar jobs worldwide.

Step 6. Adapt pay policies. Finally, review your global pay policies (for setting salary levels, incentives, and so forth). Conduct surveys and analyses to assess local pay practices. Then fine-tune your global pay policies so they make sense for each location.

Union Relations Abroad

A manager flying either East or West from the United States would most likely land in a country with a much stronger union movement than in the United States. For example, Walmart successfully neutralized unionization attempts in the United States, but had to accept unions in China. And collective bargaining in Western Europe tends to be industry-wide, whereas in the United States it generally occurs at the company or plant level. Furthermore, union recognition in Europe is less restrictive than in the United States. For example, even if one union represents 80% of an employer's workers, another union in Europe can try to organize the other 20%. The bottom line, as noted earlier, is that managers should steel themselves to more vigorous collective bargaining negotiations abroad then they may be used to in the United States.

Safety Abroad

Employers need to address at least two matters in developing their international safety policies and practices.

First is the question of local worker safety. Recently, for instance, at a plant that manufactures iPhone casings not far from Shanghai China, workers reportedly were using noxious chemicals, sometimes without proper personal protective equipment.[107] The United States has often taken the lead in occupational safety. However, other countries have such laws, with which all employers must comply. And in any case, it's hard to make a case for being less safety conscious or fair with workers abroad than you are with those at home.

The second matter is protecting their own international assignees and international travelers. (Legally, employers have a duty of care for protecting international assignees and their dependents and international business travelers.)[108] For example, the threat of terrorism is prompting more employers to use special mobile safety tools to track and communicate with workers in real time.[109] Security firm International SOS provides its clients with online and smart phone tools. These let the client quickly notify employees traveling abroad of potential problems and what to do about them. Many employers use intelligence services for monitoring potential terrorist threats abroad. The head of one intelligence firm estimated such services cost around $10,000 per year.[110] Some employers retain crisis management teams' services. They then call on these teams, for instance, when criminals kidnap one of their managers.

Hiring crisis teams and paying ransoms can be prohibitively expensive for all but the largest firms, so many employers buy kidnapping and ransom (K&R) insurance. Various events may trigger payments under such policies, including kidnapping/hostage situations, extortion, and detention.

The HR Practices Around the Globe feature provides some practical suggestions.

IMPROVING PERFORMANCE: *HR PRACTICES AROUND THE GLOBE*

Business Travel

Keeping business travelers safe is a specialty all its own, but suggestions here include[111]

- ✓ Provide expatriates with training about the place they're going to, so they're more oriented.
- ✓ Tell them not to draw attention to the fact they're Americans—by wearing T-shirts with American names, for instance.
- ✓ Have travelers arrive at airports as close to departure time as possible and wait in areas away from the main flow of traffic.
- ✓ Equip the expatriate's car and home with security systems.
- ✓ Tell employees to vary their departure and arrival times and take different routes.
- ✓ Keep employees current on crime and other problems by regularly checking, for example, the State Department's travel advisories and warnings at http://travel.state.gov.[112] Click on "Travel Alerts" and "Country Information."
- ✓ Advise employees to act confident at all times. Body language can attract perpetrators, and those who look like victims often become victimized.[113]

Increased terrorism worldwide is causing more employers to use special travel safety tools to track and communicate with workers in real time.[114] For example, as noted, International SOS provides its clients with online and smart phone tools.

MyLab Management Talk About It 3

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete these discussion questions. Have you traveled abroad and violated any of these suggestions? Which? Would you do things differently now, knowing what you know?

Repatriation: Problems and Solutions

Too many employers waste the investment they've made in the employees they've sent abroad. For one thing, as we summarized in Table 17.1, a three-year assignment abroad for an employee with a salary of about $160,000 may cost the employer $800,000 or more, once extra living costs and taxes, (plus transportation and the person's regular benefits) are added up. Furthermore, losing the returnee also means losing the knowledge and experience he or she gained while abroad.[115] One survey several years ago found some employers lost 30% or more of their returning expats (although the attrition rates for most employers were much lower).[116]

Given the investment, it obviously makes sense to keep such employees with the firm. Formal repatriation programs are useful. For instance, one survey found that of the employers with excessive expat returnee attrition rates, about two-thirds had no formal repatriation plans in place.[117] About a quarter of employers don't even know if their recently returned expatriates quit within 12 months of returning.[118]

STEPS IN REPATRIATION Successful repatriation programs have several characteristics. The best begin before the person is even sent abroad, by making sure he or she sees that the position is an integral part of a sensible career plan.[119] Discussions about the return should begin 6–12 or more months before the actual repatriation, and include discussions of the person's next career moves.[120] It is essential that the expatriate and his or her family not feel that the company has forgotten them.

As an example, one firm has a three-part repatriation program.[121]

It is prudent to make sure that the employee always feels that he or she is still "in the loop" with what's happening back at the home office.

TunedIn by Westend61/Shutterstock

First, the firm matches the expat and his or her family with a psychologist trained in repatriation issues. The psychologist meets with the family before they go abroad. The psychologist discusses the challenges they will face abroad, assesses with them how well they think they will adapt to their new culture, and stays in touch with them throughout their assignment.

Second, the program ensures that the employee always feels that he or she is still "in the home-office loop." For example, the expat gets a mentor, and travels back to the home office periodically for meetings.

Third, once it's time for the expat employee and his or her family to return home, there's a formal repatriation service. About six months before the overseas assignment ends, the psychologist and an HR representative meet with the expat and the family to start preparing them for return. For example, they help plan the employee's next career move, help the person update his or her résumé, and begin putting the person in contact with supervisors back home.[122]

At the end of the day, probably the simplest thing employers can do to retain the returnee is value the expat's experience. As one returnee put it: "My company was, in my view, somewhat indifferent to my experience in China as evidenced by a lack of monetary reward, positive increase, or leverage to my career in any way." Such feelings prompt former expats to look elsewhere.[123] Having a system that facilitates keeping track of employees as they move from position to position in a global organization is essential. One reason for returnees' high attrition rates is that employers simply lose track of their returnees' new skills and competencies.[124]

LEARNING OBJECTIVE 17-5
Discuss similarities and differences in employee engagement around the globe.

Employee Engagement Guide for Managers

Engagement around the Globe

A survey of employee engagement around the globe provides some useful observations.[125]

On average, the percent of engaged employees (including highly engaged and moderately engaged) was 70% in Latin America, 65% in North America, 61% in Asia/Pacific and Africa/Middle East, and 57% in Europe. The percentage of actively disengaged employees was highest in Europe (19%), lowest in Latin America (12%), and 15%–16% in North America, Asia/Pacific, and Africa/Middle East. The trend was for employee engagement (highly and moderately engaged) in all regions of the world to be converging around the current global average of about 61% of employees engaged. So, workers everywhere are becoming about equally engaged.

What are the top drivers of employee engagement around the globe? Career opportunities was the number-one key driver of employee engagement in all regions of the world, underscoring the universal importance of providing such opportunities. But beyond that point of agreement, the other key drivers varied by geographic area. For example, setting goals/managing performance was the number two key driver of employee engagement in North America but was much less important in Europe; the reputation of the organization was number two in Europe, pay was number two in Asia/Pacific, and recognition was number two in Latin America. So, the management actions that drive engagement vary somewhat by region.

One thing that did not seem to vary much was the global importance of employee engagement. The best-performing companies' employees were in the top quartile in employee engagement.

LEARNING OBJECTIVE 17-6
Explain with examples how to implement a global human resource management program.

Managing HR Locally: How to Put into Practice a Global HR System

A noted earlier, companies tend to evolve from running their international operations from home-based "international" units, to a "multinational" structure where subsidiaries abroad largely control themselves, to fully unified "global" companies with a unified management structure worldwide. Here, for instance, a car to be sold worldwide might be designed in France and manufactured in China and the U.S. with parts from Japan.[126]

Being "global" affects how the company organizes and manages its human resource management function. The global firm's emphasis will likely be on standardizing HR practices worldwide. In practice, technology—and particularly cloud computing—means most employers are moving to such unified global HR functions.[127] For example, BP recently adopted the cloud-based "Workday HCM" (Human Capital Management) in order to support BP's global HR modernization strategy.[128] Among other things, adopting Workday HCM enabled BP to standardize its human capital management processes around the world, and gave employees worldwide access to information such as regarding their benefit status. It also provides top management with better insights into worldwide staffing levels and employee performance. And, it enabled BP's human resource management staff to transition from doing administrative HR tasks to supporting BP's strategic initiatives. The Strategic Context feature provides another example.[129]

IMPROVING PERFORMANCE: *THE STRATEGIC CONTEXT*

Hyundai Capital

Hyundai Capital strategically is moving to what it calls a "Global One Company." For example, it is unifying its organizational structure, products and services, and management practices worldwide.[130] To standardize its HR practices globally, it therefore recently moved its human resource management system from one that relied on separate HR systems in areas around the world, to a unified system based on Oracle HCM (Human Capital Management) Fusion Cloud. The new system, for example, enables employees around the globe to update their HR data and access improved training, onboarding, and other talent management tools. Oracle's system also helps employers adapt to legal and labor relations differences around the world. For example, it handles multiple unique union and worker agreements in different countries, and helps management make local hiring and dismissal decisions consistent with local laws.

MyLab Management Talk About It 4

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete these discussion questions. What problems would you expect Hyundai Capital to face in achieving standardization? How would you suggest they handle them?

Yet, even with cloud-computing, one could reasonably ask, "With the large cross-cultural differences involved, what is the best way to institute a standardized human resource management system in our facilities around the world? A study conducted a number of years ago sheds some light on this. In brief, the study's results show that employers may have to defer to local managers for fine-tuning human resource management policies.

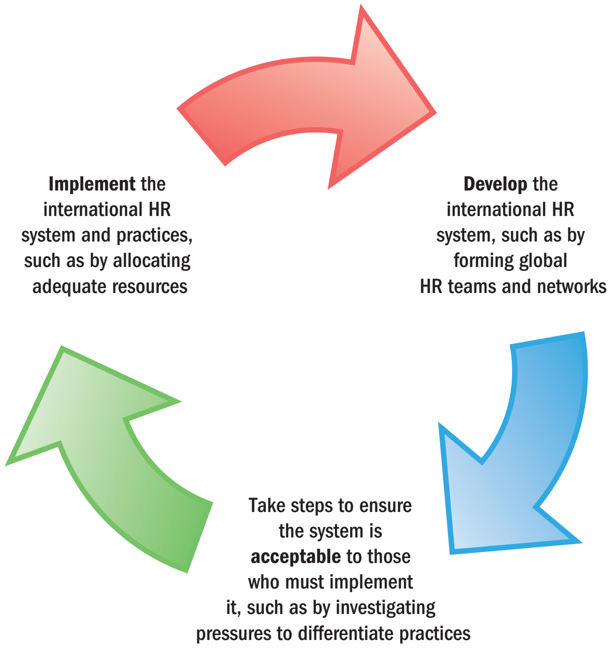
In this study, the researchers interviewed human resource personnel from six global companies—Agilent, Dow, IBM, Motorola, Procter & Gamble, and Shell Oil Co.—as well as international human resources consultants.[131] The study's overall conclusion was that employers who successfully implement global HR systems do so by applying several best practices. The basic idea is to *develop* systems that are *acceptable* to employees in units around the world, and ones that the employers can *implement* more effectively. Figure 17-2 summarizes this.

Developing a More Effective Global HR System

First, these employers engage in two best practices in *developing* their worldwide human resource policies and practices.

Form global HR networks. To head off resistance, human resource managers around the world should feel part of the firm's global human resource management team. Treat the local human resource managers as equal partners. For instance, form global teams to develop the new human resources system. Create

FIGURE 17-2 **Best Practices for Creating Global HR Systems**



"an infrastructure of partners around the world that you use for support, for buy-in, for organization of local activities, and to help you better understand their own systems and their own challenges."[132]

Remember that it's more important to standardize ends and competencies than specific methods. For example, IBM uses a basically standardized recruitment and selection process worldwide. However, "details such as who conducts the interview (hiring manager vs. recruiter), or whether the prescreen is by phone or in person, differ by country."[133]

Making the Global HR System More Acceptable

Next, employers engage in three best practices so that the global human resource systems they develop will be *acceptable* to local managers around the world. These practices are

Remember that truly global organizations find it easier to install global systems. For example, their managers work on global teams, and the firms identify, recruit, and place employees globally. As one Shell manager said, "If you're truly global, then you are hiring here [the United States] people who are going to immediately go and work in the Hague, and vice versa."[134] Doing so makes it easier for managers everywhere to accept the wisdom of having a standardized human resource management system.

Investigate pressures to differentiate and determine their legitimacy. Local managers will insist, "You can't do that here, because we are different culturally." These "differences" aren't usually persuasive. For example, when Dow wanted to implement an online recruitment and selection tool abroad, the hiring managers there said that their managers would not use it. After investigating the supposed cultural roadblocks, Dow successfully implemented the new system.[135]

However, first carefully assess whether the local culture or other differences might in fact undermine the new system. Be knowledgeable about local legal issues, and be willing to differentiate where necessary.

Try to work within the context of a strong corporate culture. Companies that do so find it easier to obtain agreement among far-flung employees. For example, because of how P&G recruits, selects, trains, and rewards them, its managers have a strong sense of shared values. For instance, new recruits quickly learn to think in terms of "we" instead of "I." They learn to value thoroughness, consistency, self-discipline, and a methodical approach. Having such global unanimity makes it easier to implement standardized human resource practices.

Implementing the Global HR System

Finally, two best practices helped ensure success in actually *implementing* the globally consistent human resource policies and practices.

"You can't communicate enough." "There's a need for constant contact with the decision makers in each country, as well as the people who will be implementing and using the system."[136]

Dedicate adequate resources. For example, don't require the local human resource management offices to implement new job analysis procedures unless the head office provides adequate resources for these additional activities.

MyLab Management Apply It!

How does a company actually go about managing its international human resource management function? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the video exercise.

Chapter Review

Chapter Section Summaries

17-1. Dealing with **global human resource challenges as a manager** isn't easy. The employer faces an array of political, social, legal, and cultural differences among countries abroad. What works in one country may not work in another.

17-2. **The need for adapting human resource activities to intercountry differences** influences employers' HR processes. For example, citizens of different countries adhere to different values, and countries have differing economic systems as well as different legal, political, and labor relations systems.

17-3. **Staffing the global organization** is a major challenge. Companies may use expatriates, home-country nationals, locals, or third-country nationals. Ethnocentric companies tend to emphasize home-country attitudes, polycentric companies focus more on host-country employees, and global employers try to pick the best candidates from wherever they might be. Selecting employees to successfully work abroad depends on several things, most important on adaptability screening and on making sure that each employee's spouse and family get the realistic previews and support necessary to make the transition.

17-4. After selecting the employees to send abroad, attention turns to **training and maintaining your expatriate employees.**

In terms of predeparture preparation, training efforts ideally first cover the impact of cultural differences; then, the focus moves to getting participants to understand how attitudes influence behavior, providing factual knowledge about the target country, and developing skills in areas like language and adjustment.

In compensating expatriates, most employers use the balance sheet approach; this focuses on four groups of expenses: income taxes, housing, goods and services, and discretionary expenses, and aims to ensure that the employee's standard of living abroad is about what it would have been at home.

With terrorism a threat, most employers today take protective measures, including buying kidnapping and ransom insurance.

Well-thought-out repatriation programs emphasize keeping employees in the loop as far as what's happening in their home offices, bringing them back to the office periodically, and providing formal repatriation services for the expatriate and his or her family to start preparing them for the return.

17-5. The worldwide trend is for employee engagement to converge around the current global average of about 61% of **employees engaged**. Career opportunities was the number-one key driver of employee engagement in all regions of the world, underscoring its universal importance.

17-6. With employers increasingly relying on local rather than expatriate employees, it's important for managers to understand **how to implement a global HR system.** The basic approach involves: (1) Develop a more effective global HR system; (2) Make the global HR system more acceptable; and (3) Implement the global system.

Discussion Questions

17-1. You are the president of a small business. What are some of the ways you expect "going international" will affect HR activities in your business?

17-2. What are some of the specific, uniquely international activities an international HR manager typically engages in?

17-3. What intercountry differences affect HRM? Give several examples of how each may affect HRM.

17-4. You are the HR manager of a firm that is about to send its first employees overseas to staff a new subsidiary. Your boss, the president, asks you why such assignments often fail, and what you plan to do to avoid such failures. How do you respond?

17-5. As an HR manager, what program would you establish to reduce repatriation problems of returning expatriates and their families?

Individual and Group Activities

17-6. Working individually or in groups, outline an expatriation and repatriation plan for your professor, whom your school is sending to Bulgaria to teach HR for the next 3 years.

17-7. Give three specific examples of multinational corporations in your area. Check on the Internet or with each firm to determine in what countries these firms have operations. Explain the nature of some of their operations, and summarize whatever you can find out about their international employee selection and training HR policies.

17-8. Choose three traits useful for selecting international assignees, and create a straightforward test to screen candidates for these traits.

17-9. Use a library or Internet source to determine the relative cost of living in five countries as of this year, and explain the implications of such differences for drafting a pay plan for managers being sent to each country.

17-10. Appendices A and B at the end of this book (pages 614–634) list the knowledge someone studying for the HRCI (Appendix A) or SHRM (Appendix B) certification exam needs to have in each area of human resource management (such as in Strategic Management and Workforce Planning).

KNOWLEDGE BASE

In groups of several students, do four things: (1) review Appendix A and/or B; (2) identify the material in this chapter that relates to the Appendix A and/or B required knowledge lists; (3) write four multiple-choice exam questions on this material that you believe would be suitable for inclusion in the HRCI exam and/or the SHRM exam; and (4) if time permits, have someone from your team post your team's questions in front of the class, so that students in all teams can answer the exam questions created by the other teams.

17-11. An issue of *HR Magazine* contained an article titled "Aftershocks of War," which said that soldiers returning to their jobs from Iraq would likely require HR's assistance in coping with "delayed emotional trauma." The term *delayed emotional trauma* refers to the personality changes such as anger, anxiety, or irritability that exposure to the traumatic events of war sometimes triggers in returning veterans. Assume you are the HR manager for the employer of John Smith, who is returning to work next week after 1 year in Iraq. Based on what you read in this chapter, what steps would you take to help smooth John's reintegration into your workforce?

Experiential Exercise

A Taxing Problem for Expatriate Employees

Written and copyrighted by Gary Dessler, PhD.

Purpose: The purpose of this exercise is to give you practice identifying and analyzing some of the factors that influence expatriates' pay.

Required Understanding: You should be thoroughly familiar with this chapter and with the Web site www.irs.gov.

How to Set Up the Exercise/Instructions: Divide the class into teams of four or five students. Each team member should read the following: One of the trickiest aspects of calculating expatriates' pay relates to the question of the expatriate's U.S. federal income tax liabilities. Go to the Internal Revenue Service's Web site, https://www.irs.gov/individuals/international-taxpayers/taxpayers-living-abroad. Your team is the expatriate-employee compensation task force for your company, and your firm is about to send several managers and engineers to, say, Japan, England, and Hong Kong. What information did you find on the site that will help your team formulate expat tax and compensation policies? Based on that, what are three important things your firm should keep in mind in formulating a compensation policy for employees you're about to send abroad?

Application Case

"Boss, I Think We Have a Problem"

Written and copyrighted by Gary Dessler, PhD.

Central Steel Door Corporation has been in business for about 20 years, successfully selling a line of steel industrial-grade doors. The company had gradually increased its presence from the New York City area, first into New England and then down the Atlantic Coast, then through the Midwest and West, and finally into Canada. The company's basic expansion strategy was always the same: Choose an area, open a distribution center, hire a regional sales manager, and then let that regional sales manager help staff the distribution center and hire local sales reps.

Unfortunately, the company's traditional success in finding sales help did not extend to its overseas operations, when Mel Fisher, president of Central Steel Door, decided to expand his company into Europe. He tried for 3 weeks to find a sales manager by advertising in the *International New York Times*, which is read by businesspeople in Europe and by American expatriates living and working in Europe. Although the ads placed in the *Times* also ran for about a month on the *Times*'s Web site, Mr. Fisher so far has received only five applications. One came from a possibly viable candidate, whereas four came from candidates whom Mr. Fisher refers to as "lost souls"—people who seem to have spent most of their time traveling aimlessly from country to country, sipping espresso in sidewalk cafés. When asked what he had done for the last 3 years, one told Mr. Fisher he'd been on a "walkabout."

Other aspects of his international HR activities have been equally problematic. Fisher alienated two of his U.S. sales managers by sending them to Europe to temporarily run the European operations, but neglecting to work out a compensation package that would cover their relatively high living expenses in Germany and Belgium. One ended up staying the better part of the year, and Mr. Fisher was rudely surprised to be informed by the Belgian government that his sales manager owed thousands of dollars in local taxes. The two managers had hired about 10 local people to staff each of the two distribution centers. However, the level of sales was disappointing, so Fisher decided to fire about half the distribution center employees. That's when he got an emergency phone call from his temporary sales manager in Germany: "I've just been told that all these employees should have had written employment agreements and that in any case we can't fire anyone without at least 1 year's notice, and the local authorities here are really up in arms. Boss, I think we have a problem."

Questions

17-12. Based on this chapter and the case incident, compile a list of 10 international HR mistakes Mr. Fisher has made so far.

17-13. How would you have gone about hiring a European sales manager? Why?

17-14. What would you do now if you were Mr. Fisher?

Continuing Case

Carter Cleaning Company

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Going Abroad

Jack Carter decided to take his first long vacation in years and go to Mexico for a month a few years ago. What he found surprised him: He spent time in Mexico City and was surprised at the dearth of cleaning stores, particularly considering the amount of air pollution. Traveling north, he passed through Juarez, Mexico, and was similarly surprised at the relatively few cleaning stores he found there. As he drove back into Texas, and back toward home, he began to think about whether it would be advisable to consider expanding his chain of stores into Mexico.

Aside from the possible economic benefits, he liked what he saw in Mexico. Starting a new business again also appealed to him. "I guess entrepreneurship is in my blood," is the way he put it.

As he drove home to have dinner with Jennifer, he began to formulate the questions he would have to ask before deciding whether to expand abroad.

Questions

17-15. Assuming they began by opening just one or two stores in Mexico, what do you see as the main HR-related challenges Jack and Jennifer would have to address?

17-16. How would you go about choosing a manager for a new Mexican store if you were Jack or Jennifer? For instance, would you hire someone locally or send someone from one of your existing stores? Why?

17-17. The cost of living in Mexico is substantially below that of where Carter is now located: How would you go about developing a pay plan for your new manager if you decided to send an expatriate to Mexico?

17-18. Present a detailed explanation of the factors you would look for in your candidate for expatriate manager to run the stores in Mexico.

Translating Strategy into HR Policies and Practices Case*,§

** The accompanying strategy map for this chapter is in MyLab Management; the overall map on the inside back cover of this text outlines the relationships involved.*

Improving Performance at the Hotel Paris

Managing Global Human Resources

The Hotel Paris's competitive strategy is, "To use superior guest service to differentiate the Hotel Paris properties, and to thereby increase the length of stay and return rate of guests, and thus boost revenues and profitability." HR manager Lisa Cruz must now formulate functional policies and activities that support this competitive strategy and boost performance by eliciting the required employee behaviors and competencies.

With hotels in 11 cities in Europe and the United States, Lisa knew that the company had to do a better job of managing its global human resources. For example, there were no formal means of identifying or training management employees for duties abroad (for those going either to the United States or to Europe). As another example, after spending upward of $200,000 on sending a U.S. manager and her family abroad, they had to return her abruptly when the family complained of missing their friends back home. Lisa knew this was no way to run a multinational business. She turned her attention to developing the HR practices her company required to do business more effectively internationally.

On reviewing the data, it was apparent to Lisa and the CFO that the company's global human resource practices were probably inhibiting the Hotel Paris from being the world-class guest services company that it sought to be. For example, high-performing service and hotel firms had formal departure training programs for at least 90% of the employees they sent abroad; the Hotel Paris had no such programs. Similarly, with each city's hotel operating its own local hotel HR information system, there was no easy way for Lisa, the CFO, or the company's CEO to obtain reports on metrics like turnover, absences, or workers' compensation costs across all the different hotels. As the CFO summed it up, "If we can't measure how each hotel is doing in terms of human resource metrics like these, there's really no way to manage these activities, so there's no telling how much lost profits and wasted efforts are dragging down each hotel's performance." Lisa received approval to institute new global human resources programs and practices.

In instituting these new programs and practices, Lisa had several goals in mind. She wanted an integrated human resource information system (HRIS) that allowed her and the company's top managers to monitor and assess, on an ongoing basis, the company's global performance on strategically required employee competencies and behaviors such as attendance, morale, commitment, and service-oriented behavior. To address this need, she received approval to contract with a company that integrated, via the Internet, the separate hotels' HR systems, including human resource and benefits administration, applicant tracking and résumé scanning, and employee morale surveys and performance appraisals.

She also contracted with an international HR training company to offer expatriate training for Hotel Paris employees and their families before they left for their foreign assignments, and to provide short-term support after they arrived. That training company also helped create a series of weeklong "Managers' Seminars." Held once every 6 months at a different hotel in a different city, these gave selected managers from throughout the Hotel Paris system an opportunity to meet and to learn more about the numerous new HR programs and practices that Lisa and her team had been instituting for the purpose of supporting the company's strategic aims. With the help of their compensation specialist, Lisa and her team also instituted a new incentive program for each of the company's local managers, to focus their attention more fully on the company's service-oriented strategic aims. By the end of the year, the Hotel Paris's performance on metrics such as percent of expatriates receiving predeparture screening, training, and counseling were at or above those of high-performing similar companies. She and the CFO believed, rightly, that they had begun to get their global HR system under control.

Questions

17-19. Provide a one-page summary of what individual hotel managers should know in order to make it more likely incoming employees from abroad will adapt to their new surroundings.

17-20. In previous chapters of Dessler *Human Resource Management* you recommended various human resource practices the Hotel Paris should use. Choose one of these, and explain why you believe they could take this program abroad, and how you suggest they do so.

17-21. Choose one Hotel Paris human resource practice that you believe is essential to the company specifically for achieving its high-quality-service goal, and explain how you would implement that practice in the firm's various hotels worldwide.

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MyLab Management

Go to **www.pearson.com/mylab/management** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

17-22. What special training do overseas candidates need? In what ways is such training similar to and different from traditional diversity training?

17-23. Your boss wants you to transfer from headquarters in Columbus, Ohio, to the firm's Moscow, Russia, office. You're pretty sure you're suited to work abroad, but to be sure you decide to write a short essay based on what you learned in this chapter titled "Why I think I would be successful in an overseas assignment." What would you say in your essay?

17-24. MyLab Management only—comprehensive writing assignment for this chapter.

MyLab Management Try It!

How would you apply the concepts and skills you learned in this chapter? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the simulation.

PERSONAL INVENTORY ASSESSMENTS

PERSONAL INVENTORY ASSESSMENT

Expat managers should be interculturally sensitive. Go to **www.pearson.com/mylab/management** to complete the Personal Inventory Assessment related to this chapter.

Key Terms

international human resource management (IHRM), 564
works councils, 566
codetermination, 566
expatriates (expats), 568
parent or home-country nationals, 568
third-country nationals, 568
locals, 568
ethnocentric, 568
polycentric, 568
global, 568
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adaptability screening, 571
foreign service premiums, 576
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Aleksei Gorodenkov/Alamy Stock Photo

18 Managing Human Resources in Small and Entrepreneurial Firms

LEARNING OBJECTIVES

When you finish studying this chapter, you should be able to:

18-1 **Explain** why HRM is important to small businesses and how small business HRM is different from that in large businesses.

18-2 **Give** four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

18-3 **List** five ways entrepreneurs can use their small size to improve their HR processes.

18-4 **Discuss** how you would choose and deal with a professional employer organization.

18-5 **Describe** how you would create a start-up human resource system for a new small business.

San Francisco-based apparel company Everlane's strategy involves building its brand around ethical manufacturing and transparency in all they do.[1] For example their Web site shows photos of the factories abroad that make their clothes, they give voice to the factories' workers, and they list for every item its costs, so you can better judge the worth of what you're buying. A strategy like that requires a set of recruitment, selection, and compensation practices that fit. We'll see what they did.

WHERE ARE WE NOW . . .

Small businesses have special human resource management needs. The main purpose of this chapter is to help you apply what you know about human resource management to running a small business. The main topics we'll address include **The Small Business Challenge; Using Internet, Government, and Other Tools to Support the HR Effort; Leveraging Small Size with Familiarity, Flexibility, Fairness, and Informality; Using Professional Employer Organizations;** and **Managing HR Systems, Procedures, and Paperwork.**

LEARNING OBJECTIVE 18-1

Explain why HRM is important to small businesses and how small business HRM is different from that in large businesses.

The Small Business Challenge

There's nothing small about *small business*. About half the people working in the United States today work for small firms.[2] Small businesses as a group also account for most of the 650,000 or so new businesses created every year,[3] as well as for most of America's business growth (small firms grow faster than big ones). And small firms create most of the new jobs in the United States.[4]

Statistically speaking, therefore, many (or most) people graduating from college probably do or will work for small businesses—firms with less than 200 or so employees. Anyone interested in human resource management thus needs to understand how managing human resources in small firms differs from that in huge multinationals.

How Small Business Human Resource Management Is Different

Managing human resources in small firms is different for four main reasons: *size, priorities, informality,* and the nature of the *entrepreneur*.

SIZE For one thing, it's unusual to find a business under 90 or so employees with a dedicated HR professional.[5] *As a rule*, it's not until a company reaches about 100 employees that it can afford an HR specialist. Yet even five- or six-person retail shops recruit, select, train, and pay employees. So, it's usually the owner or his or her assistant that does the HR tasks; the bookkeeper might handle payroll, for instance. As a result, SHRM found several years ago that even firms with under 100 employees often spend the equivalent of two or so people's time each year addressing human resource management issues.[6] Those hours usually come out of the owner's long workday. (However, about 10% of SHRM members work in firms with less than 100 employees, so there are exceptions.) [7]

PRIORITIES At the same time, business realities drive many entrepreneurs (the men and women who provide the vision and "spark" that starts a new business) to focus more on non-HR issues. After studying small e-commerce firms in the United Kingdom, one researcher concluded that, as important as human resource management is, it just wasn't a high priority for these firms:

> Given their shortage of resources in terms of time, money, people and expertise, a typical SME *[small- and medium-size enterprise]* manager's organizational imperatives are perceived elsewhere, in finance, production and marketing, with HR of diminished relative importance.[8]

INFORMALITY One effect of this is that human resource management tends to be more informal in smaller firms. Thus, one study analyzed training practices in about 900 family and nonfamily small companies.[9] Training tended to be informal, with an emphasis on methods like coworker and supervisory on-the-job training.

Such informality isn't just due to a lack of resources, it's a "matter of survival." Entrepreneurs must react fast to changing competitive conditions. So, there's logic in keeping things like compensation policies flexible. The need for small businesses to adapt quickly often means handling matters like raises, appraisals, and time off "on an informal, reactive basis with a short time horizon."[10]

THE ENTREPRENEUR *Entrepreneurs* are people who create businesses under risky conditions, and starting new businesses is always risky. Entrepreneurs therefore tend to be dedicated and visionary, and somewhat controlling. Researchers believe that small firms' informality partly stems from entrepreneurs' tendency to control things. For example, "Owners tend to want to impose their stamp and personal management style on internal matters, including the primary goal and orientation of the firm, its working conditions and policies, and the style of internal and external communication and how this is communicated to the staff."[11]

IMPLICATIONS This combination of small size, priorities, informality, and entrepreneurial tendencies can easily translate into several problems for a small firm's human resource management practices.[12]

- First, inadequate human resource practices may put small business owners at *legal risk*. For example, Outback Steakhouse long had no human resource department. That changed after an EEOC suit led Outback to pay a $19 million sex discrimination settlement. They hired an executive-level HR professional. Similar legal risks abound for violating Family Medical Leave Act regulations, and not paying for overtime hours worked, to name a few.
- Second, not having a dedicated HR person can *slow company decisions* and *overwhelm* its managers. After LRN Corp. eliminated its human resource department, tasks like hiring became convoluted as line managers tried to figure out what skills jobs required, and how to find and select the best people. Soon managers were pushing all these decisions up the ladder to the top manager.
- Third, without human resource information systems, paperwork is *time consuming*, and duplication may create *data entry errors*. Employee data (name, address, marital status, and so on) often appears on multiple human resource forms (medical enrollment forms, W-4 forms, and so on). Any personal data change then requires manually changing all forms. This is inefficient, and causes errors.
- Fourth, if the small business can't efficiently hire, train, appraise, and compensate employees, how will it compete with companies that can? It could be at a *competitive disadvantage*.

Diversity Counts: Necessity and the Entrepreneur

More men than women start new businesses, but according to one study, about 100 million women in 59 countries still started new businesses in one year.[13] Interestingly, most of the women who did start businesses were not in the developed world. The most likely countries for women to start businesses were in Latin America and sub-Saharan Africa. This may be because in developed economies, women have more career options. In developing economies such as Ghana, necessity infuses a confidence that drives more women to make it on their own. ■

Why HRM Is Important to Small Businesses

A small software start-up experienced turmoil when social media postings from one employee accused another of harassment. The moral, says one expert, is that start-ups can't assume that all they need is an employee handbook; they also need a functioning HR system.[14]

In fact, small firms with effective HR practices do better than those without them. For example, a study in the UK found a direct positive relationship between small companies' use of formal human resource practices and the companies' financial performance and labor productivity.[15] An earlier study focused on 168 family-owned high-growth small and medium-size enterprises (SMEs). The successful SMEs placed more emphasis on training and development, performance appraisal, recruitment packages, maintaining morale, and setting competitive compensation levels than did less successful ones.[16]

For many small firms, effective human resource management is also required for getting and keeping big customers. For example, to comply with international ISO-9000 quality standards, many large customers check that their small vendors follow the necessary HR standards.[17]

We devote this chapter to methods small business managers can use to improve their human resource management practices, starting with Internet and government tools.

LEARNING OBJECTIVE 18-2

Give four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

Using Internet, Government, and Other Tools to Support the HR Effort

No small business need cede the "HR advantage" to big competitors. Knowledgeable small business managers can level the terrain by using Internet-based HR resources, including free online resources from the U.S. government. For example, the Small

Business Administration (SBA) provides (under Manage Your Business) a *Hire and Manage Employees* page, with a list of HR items to address.[18] Other useful sites include the following.

Government Tools for Complying with Employment Laws

Complying with federal (and state and local) employment law is a thorny issue for entrepreneurs. For example, the entrepreneur needs to know, "Must I pay this person overtime?" and, "Must I report this injury?"

Start by knowing which federal employment laws apply. For example, Title VII of the 1964 Civil Rights Act applies to employers with 15 or more employees, while the Age Discrimination in Employment Act of 1967 applies to those with 20 or more.[19] Small business owners will find the legal answers they need to answer questions like these online at federal agencies' Web sites.

DOL ONLINE ELAWS ADVISORS The U.S. Department of Labor provides "elaws Advisors" (such as its Health Benefits Advisor) for laws covering matters like pay and benefits, and health and safety. Using elaws Advisors is a bit like having an expert for advice, for example "is this employee exempt from overtime pay requirements?"[20] Thus, as in Figure 18-1 click "Begin FirstStep-Employment Law Overview Advisor Now." The wizard takes you through questions like "What best describes the nature of your business?"

Proceeding through the wizard, the owner arrives at "results." This says, "Based on the information you provided . . . the following employment laws administered by the Department of Labor (DOL) may apply to your business or organization."[21] Typically, these laws might include the Consumer Credit Protection Act, Employee

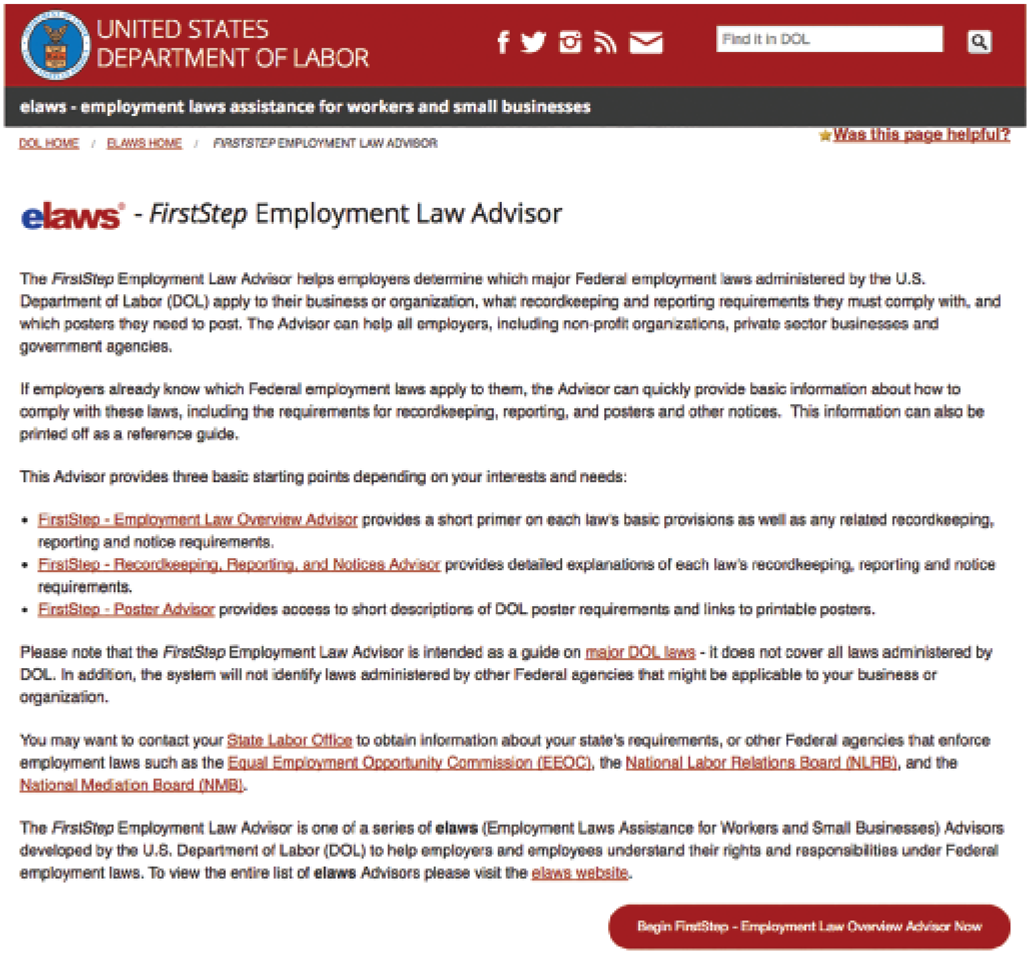

FIGURE 18-1 ***FirstStep* Employment Law Advisor**

Source: U.S. Department of Labor, https://webapps.dol.gov/elaws/firststep/, accessed August 24, 2018.

Polygraph Protection Act, Fair Labor Standards Act, Immigration and Nationality Act, Occupational Safety and Health Act, Uniformed Services Employment and Reemployment Rights Act, and Whistleblower Act.

A linked DOL site (www.dol.gov/whd/flsa/index.htm) provides information on the Fair Labor Standards Act (FLSA).[22] It also contains several specific FLSA "elaws Advisors." Each provides practical guidance on questions such as when to pay overtime. Figure 18-2 presents, from this Web site, a list of elaws Advisors.[23]

EEOC ONLINE TOOLS The U.S. Equal Employment Opportunity Commission administers Title VII of the Civil Rights Act of 1964 (Title VII), the Age Discrimination in Employment Act of 1967 (ADEA), Title I of the Americans with Disabilities Act of 1990 (ADA), and the Equal Pay Act of 1963 (EPA). As the EEOC says, "While the information in this section of our website applies to all employers, it has been specifically designed for small businesses which may not have a human resources department or a specialized EEO staff" (www.eeoc.gov/employers). The site provides small business owners with practical advice. For example, "What should I do when someone files a charge against my company?" Its Web site (www.eeoc.gov/employers) contains important information regarding matters such as:

- How do I determine if my business is covered by EEOC laws?
- Who may file a charge of discrimination with the EEOC?
- Can a small business resolve a charge without undergoing an investigation or facing a lawsuit?

OSHA ONLINE TOOLS FOR SMALL BUSINESSES The DOL's Occupational Safety and Health Administration site (www.osha.gov) provides specific guidance and checklists for small business managers (see Figure 18-3). OSHA's site provides, among other things, easy

FIGURE 18-2 Sample DOL elaws Advisors

Source: U.S. Department of Labor, http://webapps.dol.gov/elaws/, accessed September 21, 2017.

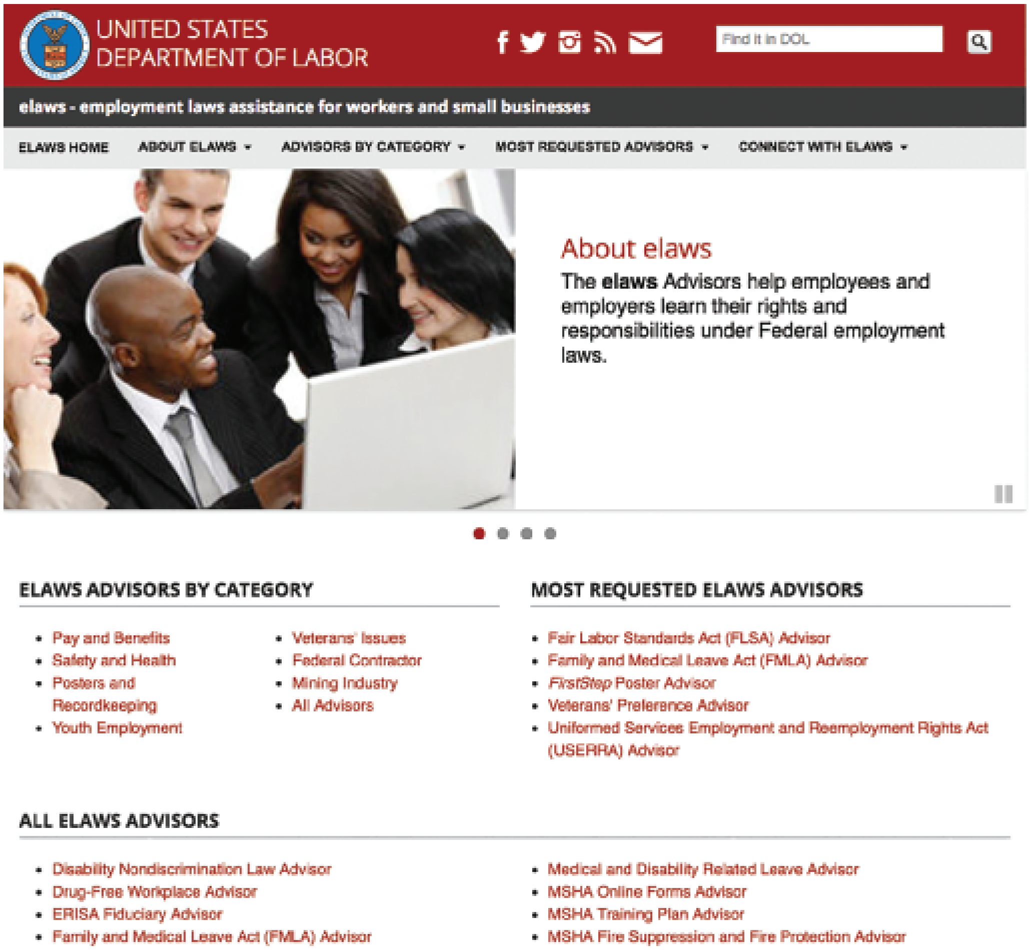

FIGURE 18-3 OSHA Small Business Web Site

Source: U.S. Department of Labor, https://www.osha.gov/dcsp/smallbusiness/index.html.

access to the *OSHA Small Business Handbook*. This contains practical information, including industry-specific safety and accident checklists.

Online Employment Planning and Recruiting Tools

Online tools can make small business owners as effective as their large competitors at writing job descriptions and recruiting applicants. For example, as we saw in Chapter 4 (Job Analysis), O*NET (http://online.onetcenter.org) enables business owners to create accurate job descriptions and job specifications quickly.

ONLINE RECRUITING Small business owners can also use the online recruiting tools in Chapter 5 (Recruiting). For example, it's easy to scour LinkedIn.com, and to post jobs on Careerbuilder.com, and on professional associations' job boards. Similarly, the best applicant tracking software does more than track job candidates.[24] They also automatically post open jobs to job Web sites. Some, like Bullhorn (www.bullhorn.com/) post jobs to social media sites including LinkedIn, Twitter, and Facebook.

TRENDS SHAPING HR: *DIGITAL AND SOCIAL MEDIA*[25]

Many small businesses use social media to recruit applicants. For example, LinkedIn lets employers post job openings and facilitates business networking. One recruiter reportedly looks for LinkedIn members who have compelling summaries, excellent recommendations, and memberships in industry groups. On Twitter, recruiters see if a potential candidate has an appropriate username and photos. But also check Twitter for things like the person's status updates and retweets, to see (for instance) if he or she shares useful information. Small business recruiters should also focus on the social media that makes sense for them. For example, if you're looking for a Facebook marketing expert, look on Facebook. Or look for a photographer on Instagram. And on Facebook and LinkedIn, focus recruiting efforts on industry groups that make sense for your company. Check to see how your competitors use social media, and which communities they use.

Social media recruiting entails risks. For example, conversing with someone whose Facebook profile reveals their ethnic background could expose the employer to a discrimination suit if that applicant isn't hired. And many agree that at the end of the day, social media recruiting can't substitute for in-person interactions. ■

Small Business Employee Selection Tools

Some tests are so easy to use they're particularly helpful for small firms. One is the *Wonderlic Personnel Test* (www.wonderlic.com/), which measures general mental ability. With questions somewhat similar to the SAT, it takes less than 15 minutes to administer. The tester reads the instructions, and keeps time as the candidate works through the 50 problems. The tester scores the test by totaling the number of correct answers. Comparing the person's score with the minimum scores recommended for various occupations shows whether he or she achieved the minimum score for the job in question.

The *Predictive Index* is another example. It measures work-related personality traits, drives, and behaviors—in particular, dominance, extroversion, patience, and blame avoidance. A template makes scoring simple. The Predictive Index program includes 15 standard benchmark personality patterns. For example, there is the "social interest" pattern, for a person who is generally unselfish, congenial, persuasive, patient, and unassuming. This person would be a good personnel interviewer, for instance.

Many vendors, including Wonderlic and Predictive Index, offer online applicant testing and screening services. Wonderlic's service (which costs about $9,000 per year for a small firm) first provides job analyses for the employer's jobs. Wonderlic then provides a Web site the small business applicants can log into to take one or several selection tests. It will also help set up a testing procedure.

Some other small business recruiting and selection suggestions would include

- ***Don't forgot the obvious.*** Sometimes the easiest way to get good candidates is a "Help Wanted" sign on the door.

Use online tests, for instance, to test an applicant's typing speed proficiency at Quickbooks, or even ability to sell over the phone.

aodaodaodaod/Shutterstock

- ***Keep it local, and in the industry.*** Use online job boards that target a particular industry or city to minimize irrelevant applicants.[26] For example, Jobing.com maintains city-specific job sites in over 19 states.[27] Smartrecruiters.com[28] lists dozens of job boards for specific industries or types of jobs, such as Dice.com for technical professionals (go to www.smartrecruiters.com, then Marketplace, then Job Boards).
- ***Test online.*** Use online tests, for instance, to test an applicant's proficiency at QuickBooks, or even at selling over the phone. Vendors include (as a small sample) IBM's Kenexa, eskill.com/, selectivehiring.com, and berkeassessment.com.[29]
- ***Poll your contacts.*** Tap friends and employees for recommendations, and use social networking sites such as LinkedIn. One employer says, "I get people vouching for each applicant, so I don't have to spend hours sorting through résumés."[30]
- ***Send a recording.*** InterviewStream is one of several vendors that records online video interviews for about $30 to $60.[31] It sends the candidate an e-mail invitation with a link. When he or she clicks the link, a video interviewer asks the company's prerecorded questions. Hiring managers can review the videos at their leisure.[32]

The following feature shows how one company recruits employees.

IMPROVING PERFORMANCE: *THE STRATEGIC CONTEXT*

Everlane

Everlane's strategy builds its brand around ethical manufacturing and transparency. For example, ethical manufacturing meant they spent months finding a factory to make their new jeans in Vietnam, choosing it because it recycles 98% of the water used in denim manufacturing. Everlane's Web site lists the material and labor costs of each item they sell.[33]

A strategy like that requires recruitment, selection, and compensation practices that fit, so when Everlane decided to emphasize transparency in its hiring no one was surprised. For example, they recently started recruiting job candidates by having them submit 60- to 90-second Snapchat stories, to show why they're a good candidate for Everlane. The idea is to create the story, tweet Everlane your snap code, and save the story before 24 hours run out, and mail it to Everlane.

A big reason they use social media to recruit is that it's likely to attract people who are already following Everlane. It seems to be working. For example, candidates are sending those Snapchat stories, taking them step-by-step through their presentations. That way, Everlane is getting applications from already engaged prospective employees for whom the company's goals resonate. Similarly, Everlane's career Web site page addresses itself to "rule breakers, questioners, and straight A students who skipped out of class." The site's also forthright in laying out Everlane's basic values, such as "everyone can, and should, make a difference," and "the ethical choice is the right one." The result of such recruiting is that Everlane is building a team that's deeply engaged in the company's values and goals.

MyLab Management Talk About It 1

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion question. What other tools and techniques discussed in this chapter would you recommend Everlane use, and why?

Small Business Training Tools

Small companies can't compete with the training resources of giants like Google. However, as explained in Chapter 7 (Training), online training can provide employee training that used to be beyond most small employers' reach. Online sources (see Chapter 7) range from private vendors (such as www.PureSafety.com and www.skillsoft.com) to the small business administration (www.sba.gov/sitemap) and the National Association of Manufacturers (NAM). The buyer's guide from the Association for Talent Development (www.td.org/) lists many vendors (check under Resources).[34] Online learning platforms like Docebo's (www.docebo.com/) make it easy for a company's employees to access off-the-shelf and customized online learning courses and programs.[35]

Employment Appraisal and Compensation Online Tools

Small employers have easy access to computerized and online appraisal and compensation services. For example, Oracle Corporation's ePerformance[36] lets managers formalize the employee's goals and then assess progress toward meeting those goals. The eAppraisal system from Halogen Software[37] is another example. SAP Success Factors (www.successfactors.com/en_us.html) provides particularly effective performance management assistance. It facilitates assigning and monitoring goals, helps management provide feedback to employees, and makes it easy to review goal attainment as part of performance appraisal.[38]

Similarly, lack of easy access to high-priced salary surveys once made it difficult for small businesses to adjust their pay scales. Today, sites like www.salary.com and www.Glassdoor.com make it easy to determine local and national pay rates. Benefits administration packages, as from Zenefits (www.zenefits.com/), make it easy for employees to register for benefits, and to access their insurance and benefits information.[39]

Employment Safety and Health Tools

Average injury rates for small businesses are somewhat lower than in big companies.[40] However, most people work for small businesses, so that's still a huge number of total accidents. Small business managers should have a command of the tools and techniques in Chapter 16 (Safety). As also explained there, OHSA provides free services for small employers.[41] These include free on-site safety services for small businesses, and the OSHA Sharp program, a process through which OSHA certifies that small employers have achieved commendable levels of safety awareness.[42]

LEARNING OBJECTIVE 18-3

List five ways entrepreneurs can use their small size to improve their HR processes.

Leveraging Small Size with Familiarity, Flexibility, Fairness, and Informality

Because small businesses need to capitalize on their strengths, it makes sense for them to capitalize on their smallness when dealing with employees. For example, smallness can mean more personal *familiarity* with each employee's strengths, needs, and family situation. And it can mean being *flexible* and *informal* in its human resource management policies and practices.[43]

Simple, Informal Employee Selection Procedures

In addition to online recruitment and selection tools,[44] small business managers shouldn't forget simple, low-tech selection aids. For example, the Work Sampling Test we explained in Chapter 6 involves having the candidate show how he or she would actually do one of the job's tasks—such as a marketing candidate spending 30 minutes outlining an ad for a product. The accompanying HR Tools feature presents a more informal selection interview procedure the small business manager may find useful.

IMPROVING PERFORMANCE: *HR TOOLS FOR LINE MANAGERS AND SMALL BUSINESSES*

A Streamlined Interviewing Process[45]

The small business owner, pressed for time, may use the following practical, streamlined employment interview process.[46] One way to do so is to focus on four basic required factors: knowledge and experience, motivation, intellectual capacity, and personality. To proceed this way, interviewing expert John Drake suggests asking the following questions:

- ✓ **Knowledge and experience.** What must the candidate know to perform the job? What experience is necessary to perform the job? For example, ask a combination of situational questions plus open-ended questions to probe the candidate's suitability for the job, such as, "How would you organize such a sales effort?" or "How would you design that kind of Web site?"

- ✓ **Motivation.** What should the person like doing to enjoy this job? Is there anything the person should not dislike? Are there any essential goals or aspirations the person should have? For example, probe such areas as the person's likes and dislikes (for each thing done, what he or she liked or disliked about it).
- ✓ **Intellectual capacity.** Are there any specific intellectual aptitudes required (mathematical, mechanical, and so on)? How complex are the problems the person must solve? What must a person be able to demonstrate intellectually? For example, ask questions that judge such things as complexity of tasks the person has performed, and grades in school.
- ✓ **Personality.** What are the critical personality qualities needed for success on the job (ability to withstand boredom, decisiveness, stability, and so on)? How must the job incumbent handle stress, pressure, and criticism? What kind of interpersonal behavior is required in the job? For example, probe by looking for self-defeating behaviors (aggressiveness, compulsive fidgeting, and so on) and by exploring the person's past interpersonal relationships, such as leading the work team on the last job. Is the candidate personable? Shy? Outgoing?

How to Organize the Interview

- ✓ Have a plan. Devise and use a plan to guide the interview. Drake says that significant areas to touch on include the candidate's:
  - ✓ College experiences
  - ✓ Work experience—summer, part-time
  - ✓ Work experience—full-time (one by one)
  - ✓ Goals and ambitions
  - ✓ Reactions to the job you are interviewing for
  - ✓ Self-assessments (by the candidate of his or her strengths and weaknesses)
  - ✓ Military experiences
  - ✓ Present outside activities[47]
- ✓ Follow your plan. Start with an open-ended question for each topic, such as "Could you tell me about what you did in college?" Then probe for information about the person's knowledge and experience, motivation, intelligence, and personality.

Match the Candidate to the Job

You should now be able to draw conclusions about the person's knowledge and experience, motivation, intellectual capacity, and personality, and to summarize the candidate's strengths and limits. This should provide a rational basis for matching the candidate to the job—one based on the traits and aptitudes the job actually requires. ■

> **MyLab Management Talk About It 2**
>
> If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete these discussion questions. List two situational questions (what would you do . . . ?) and two behavioral questions (what did you do . . . ?) that you might ask to unearth insights into the candidate's motivation.

Flexibility in Training

Two things characterize training in small businesses. First, small businesses focus on what the training will do *for their bottom lines*, rather than how employees may benefit.[48] (Similarly, they focus management development on teaching specific firm-related skills, such as how to sell the firm's products).[49]

Second, a study several years ago in Europe found that small firms were also *relatively informal* in how they trained employees.[50] This probably isn't surprising, since (as explained in Chapter 8), training experts estimate that on average about 70% of all training is in fact "informal."

ENCOURAGING INFORMAL TRAINING Given the importance of informal learning, small business managers should take steps to encourage and facilitate it.

Several things contribute to building an environment in which informal learning thrives. Informal learning occurs when employees *have something they need to learn*, are *motivated to learn it*, and are given *the opportunity to learn*.[51] Informal learning tends to take place as *a by-product of employees' other activities*, and so usually occurs during day-to-day conversations, networking, and through teamwork and mentoring.[52] (To paraphrase one expert, workers learn more over coffee than they do taking courses.)[53] The best informal learning also tends to be *goal directed*, as when a manager who needs to recruit an engineer asks LinkedIn group colleagues how to do so; informal learning is thus often *triggered by something at work* that motivates the employee to initiate an informal learning interaction.[54] And, informal learning occurs best where employees know that top *management encourages and supports* such learning.[55]

Given all this, the small business owner can do several things to encourage and facilitate informal learning. These include

- Make it clear that you encourage employees to learn on the job, particularly when they're faced with a work problem.[56]
- Make high-quality content available. For example, while much on the Internet is free, sometimes the job-relevant content for your company requires a subscription; if so, provide such subscriptions.[57]
- Encourage supervisors to provide informal learning through coaching.[58]
- Offer to cover tuition for special classes.[59]
- Identify online training opportunities.[60]
- Encourage and facilitate (for instance, through a dedicated page on the company intranet) the sharing of best practices.[61]
- Send employees to special seminars and meetings for learning and networking.[62]
- Provide plenty of opportunities for informal learning at work, such as chalkboards at worksites and lunch areas.

KNOWLEDGE BASE

Flexibility in Benefits and Rewards

The Family and Work Institute surveyed the benefits practices of about 1,000 small and large companies.[63] Not surprisingly, they found that large firms offer more *extensive* benefits packages than do smaller ones. For example, larger employers offered more wellness programs, and asked their employees to pay a smaller share of health premiums than did small firms, on average.

However, small firms offered more flexibility. For example, employees at small employers (50–99 employees) were more likely than large employers (1,000 or more employees) to (1) take time off during the workday to attend to important family or personal needs without loss of pay; (2) have control over when to take breaks; and (3) periodically change starting and quitting times within some range of hours.[64]

Some small businesses also "discovered how to turn tiny into tight-knit, earning employees' trust by keeping them in the loop on company news and financials, and their loyalty by providing frequent feedback on performance." [65] For example, ID Media, with 90 employees, gives all new employees a welcome breakfast on their first day.[66]

Wards Furniture in Long Beach, California, further illustrates this. Many of its 17 employees have been with the firm for 10 to 20 years. Brad Ward, an owner, attributes this partly to his firm's willingness to adapt to its workers' needs. For example, workers can share job responsibilities and work part-time from home. As a result, Wards Furniture is a good example of using small size to create valuable work–life benefits such as extra time off, compressed workweeks, schedule flexibility, and recognition for employees.

Here are other examples of what Wards and other small employers can offer:[67]

- ***Extra time off.*** For example, Friday afternoons off in the summer.
- ***Compressed workweeks.*** For example, compressed summer workweeks.
- ***Bonuses at critical times.*** Small business owners are more likely to know what's happening in their employees' lives. Use this knowledge to provide special bonuses, for instance, if an employee has a new baby.

At Wards Furniture, workers can share job responsibilities and work part-time from home.

Thomas Barwick/DigitalVision/Getty Images

- ***Flexibility.*** For example, "If an employee is having a personal problem, help create a work schedule that allows the person to solve problems without feeling like they're going to be in trouble."[68]
- ***Sensitivity to employees' strengths and weaknesses.*** The small business owner should stay attuned to his or her employees' strengths, weaknesses, and aspirations. For example, give them an opportunity to train for and move into the jobs they desire.
- ***Help them better themselves.*** For example, pay employees to take a class to help them develop their job skills.
- ***Feed them.*** Provide free meals occasionally, perhaps by taking your employees to lunch.
- ***Make them feel like owners.*** For example, give employees input into major decisions, let them work directly with clients, get them client feedback, share company performance data with them, and let them share in the company's financial success.
- ***Make sure they have what they need to do their jobs.*** Having motivated employees is only half the challenge. Also ensure they have the necessary training, procedures, computers, and so on.
- ***Constantly recognize a job well done.*** Capitalize on your day-to-day interactions with employees to "never miss an opportunity to give your employees the recognition they deserve."[69]

SIMPLE RETIREMENT BENEFITS About the same percentage of small firms (93%) as large ones (98%) offer defined contribution 401(k) plans, but more large firms (35%) offer *defined benefits* plans than do small firms (15%).[70]

An easy way for small businesses to provide retirement benefits is through a SIMPLE IRA plan.[71] With the SIMPLE (for Savings Incentive Match Plan for Employees) IRA, employers must (and employees may) make contributions to traditional employee IRAs. These plans are for employers or small businesses with 100 or fewer employees and no other retirement plan.

SIMPLE IRAs are inexpensive and easy. The owner contacts an eligible financial institution and fills out several IRS forms.[72] Most banks, mutual funds, and insurance companies that issue annuity contracts are generally eligible.[73] The plan has very low administrative costs. Employer contributions are tax deductible.[74] A typical employer contribution might match employee contributions dollar for dollar up to 3% of pay. The financial institution usually handles the IRS paperwork and reporting.

Fairness and the Family Business

Most small businesses are "family businesses," since the owner (and often some employees) are family members.

Being a nonfamily employee here isn't easy. The tendency is to treat family and nonfamily employees differently. If so, as one writer puts it, "It's a sure bet that their lower morale and simmering resentments are having a negative effect on your operations and sapping your profits."[75] Differential treatment of nonfamily versus family employees is so widespread that it is an area of small business research. Two experts suggest family business owners follow a four-step program to ensure fairness.[76]

- First, the family *commits* to the idea that all employees, family and nonfamily, should be treated fairly and consistently.[77] Work hard to avoid "any appearance that family members are benefiting unfairly from the sacrifice of others."[78] Avoid "any behavior that would lead people to the conclusion that they are demanding special treatment in terms of assignments or responsibilities."[79]
- Second, the family *communicates* their commitment that all employees are entitled to fair practices.[80]
- Third, before they sign on, all employees must know that they can "freely and safely" *discuss and report* perceived unfair decisions.[81] Particularly inform management applicants as to whether they will have potential for promotion. Make the expectations clear, regarding matters such as the authority the person will have and can attain.[82]
- Fourth, have a *committee* that meets monthly to correct any alleged unfair decision voiced by family or nonfamily employees.[83]

LEARNING OBJECTIVE 18-4

Discuss how you would choose and deal with a professional employer organization.

Using Professional Employer Organizations

As we explained in Chapter 13 (Benefits), many small business owners—pressed for time and concerned about the legal pitfalls of personnel blunders—opt to outsource all or most of their human resource functions to vendors. These vendors go by the names *professional employer organizations* (PEOs), *human resource outsourcers* (HROs), or sometimes *employee* or *staff leasing firms*.

How Do PEOs Work?

PEOs range from specialized payroll companies to ones that handle all an employer's human resource management needs.

In determining which personnel tasks to outsource, the small business manager has many choices. At a minimum, these firms take over the employer's payroll tasks. Usually, however, PEOs shoulder most of the employer's human resources chores. By transferring the client firm's employees to the PEO's payroll, PEOs become co-employers of record for the employer's employees. The PEO can then fold the client's employees into the PEO's insurance and benefits program, usually at a lower cost.[84] The PEO usually handles employee-related activities such as recruiting, hiring (with client firms' supervisors' approvals), and payroll and taxes. PEO companies like Paychex (www.paychex.com/) provide payroll, tax, and benefits processing but also handle recruiting and training. Oasis Outsourcing (www.oasisadvantage.com/) can handle the full human resource process for very small companies, ranging from recruitment through selection, training, appraisal, and compensation. ADP total source (https://totalsource.adp.com/ts/logout.do) handles payroll processing for thousands of employers, but can also manage the entire HR process, even including initial candidate interviews.[85]

Most PEOs focus on smaller employees, often those with under 100 employees (although some handle clients of 5,000 employees or more).[86] They typically charge fees of 2% to 4% of a company's payroll; alternatively, some charge monthly per-employee fees of $40-$125, depending on the services they provide.[87]

Why Use a PEO?

Some small business owners turn to PEOs to avoid the sorts of personnel-related problems we itemized earlier in this chapter. These were: (1) inadequate human resource practices may put small business owners at *legal risk*; (2) not having a dedicated HR person can slow down company decision making and overwhelm its managers; (3) without human resource information systems, paperwork duplication is time consuming and creates *data entry errors*; and (4) if the small business can't efficiently hire, train, appraise, and compensate employees, it may find itself at a *competitive disadvantage*.

INSURANCE AND BENEFITS However *insurance and benefits* are often the big PEO attraction. Getting health and other insurance is often a problem for smaller firms. That's where employee leasing comes in. The PEO absorbs the client firm's employees as its own. That often enables the PEO to offer larger benefits packages more cheaply than a small business could get on its own.

CAVEATS There are several potential downsides to PEOs. Many employers view their human resource management practices (like training new engineers) as strategic, and aren't inclined to turn them over to outsiders (let alone accept having outsiders be their employees' legal employer). Furthermore, the fact that your (former) employees get their health insurance through the PEO has cons as well as pros.[88] For example, if the PEO goes out of business, its small business clients may scramble to replace their insurance. And if the PEO decides to switch insurance plans, your own employees may not be pleased with the new health providers. There can also be some tax disadvantages, although 2014's Small Business Efficiency Act reduces these. Figure 18-4 summarizes guidelines for finding and working with PEOs.

FIGURE 18-4 Guidelines for Finding and Working with PEOs

Source: Based on Robert Beck and J. Starkman, "How to Find a PEO That Will Get the Job Done," *National Underwriter* 110, no. 39 (October 16, 2006), pp. 39, 45; Lyle DeWitt, "Advantages of Human Resource Outsourcing," *The CPA Journal* 75, no. 6 (June 2005), p. 13; www.peo.com/dmn, accessed April 28, 2008; Layne Davlin, "Human Resource Solutions for the Franchisee," *Franchising World* 39, no. 10 (October 2007), p. 27; and see, for example, www.adp.com/solutions/employer-services/totalsource/what-is-a-peo.aspx, accessed September 24, 2015.

Employers should choose and manage the PEO relationship carefully. Guidelines for doing so include:

- *Conduct a needs analysis*. Know ahead of time exactly what human resource concerns your company wants to address.
- *Review the services* of all PEO firms you're considering. Determine which can meet all your requirements.
- *Determine if the PEO is accredited.* There is no rating system. However, the Employer Services Assurance Corporation of Little Rock, Arkansas (https://www.esac.org/), imposes higher financial, auditing, and operating standards on its members. Also check the National Association of Professional Employer Organizations (www.NAPEO.org), and www.PEO.com.
- Check the provider's bank, credit, insurance, and professional references.
- Understand how the *employee benefits will be funded*. Is it fully insured or partially self-funded? Who is the carrier? Confirm that employers will receive first-day coverage.
- See if under the contract the PEO assumes the *compliance liabilities in the applicable states*.
- *Review the service agreement carefully.* Are the respective parties' responsibilities and liabilities clear?
- Investigate how long the *PEO has been in business.*
- *Check out the prospective PEO's staff. Do they seem to have the expertise to deliver on its* promises?
- Ask, *how will the firm deliver its services?* In person? By phone? Via the Web?
- Ask about upfront fees and how these are determined.
- *Periodically get proof that payroll taxes and insurance premiums are being paid properly* and that any legal issues are handled correctly.

MyLab Management Apply It!

How does a small company actually carry out its human resource management tasks? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the video exercise.

What Is the Alternative?

If it does not want to use a PEO, what should the small business do? Most owners simply handle it all themselves. Some retain HR-savvy consultants who provide, on an hourly basis, the knowledgeable assistance in job analysis, recruiting, selection, and other matters that the small business owner needs. The advent of new HR software that provides services including applicant tracking, automatic recruitment ad placement, online selection testing, and performance management, plus employee data management is another smart option.[89] The following section looks closer at such software systems.

LEARNING OBJECTIVE 18-5

Describe how you would create a start-up human resource system for a new small business.

Managing HR Systems, Procedures, and Paperwork

Introduction

Consider the paperwork required to run a five-person retail shop. Just to start with, recruiting and hiring an employee might require a help wanted advertising listing, an employment application, an interviewing checklist, various verifications—of education and immigration status, for instance—and a telephone reference checklist. You then might need an employment agreement, confidentiality and noncompetition agreements, and an employer indemnity agreement. To process the new employee you might need a background verification, a new employee checklist, and forms for withholding tax and to obtain new employee data. And to keep track of the employee once on board, you'd need—just to start—a personnel data sheet, daily and weekly time records, an hourly employee's weekly time sheet, and an expense report. Then come all the performance appraisal forms, a disciplinary notice, an employee orientation record, separation notice, and employment reference response.

In fact, this list barely scratches the surface of the policies, procedures, and paperwork you'll need to run the human resource management part of your business. Perhaps with just one or two employees you could track everything in your head, or just write a separate memo for each HR action, placing it in a folder for each worker. But with more employees, you'll need a human resource system comprised of standardized forms. Then as the company grows, you'll computerize various parts of the HR system—payroll, or appraising, for instance.

Basic Components of Manual HR Systems

Very small employers (say, with 10 employees or less) may start with a manual human resource management system. In practice, this generally means obtaining and organizing a set of standardized personnel forms covering each aspect of the HR process—recruitment, selection, training, appraisal, compensation, safety—as well as some means for organizing all this information for each of your employees.

The number of forms you would conceivably need even for a small firm is quite large, as the illustrative list in Table 18-1 shows.[90] One simple way to obtain a manual system's basic forms is from Web sites (such as www.hr.com/en/free_forms/) or books or CDs that provide compilations of HR forms.[91] The forms can then be adapted from these sources for your particular situation. Office supply stores also sell packages of personnel forms. For example, Office Depot sells packages of personnel forms such as: Application, Employment Interview, Reference Check, Employee Record, Performance Evaluation, Warning Notice, Exit Interview, and Vacation Request, plus a Lawsuit-Prevention Guide.[92] Also available is a package of Employee Record Folders. Use the folders to maintain a file on each individual employee; on the outside of the pocket is printed a form for recording name, start date, company benefits, and so on.

TABLE 18-1 Some Important Employment Forms

New Employee Forms	Current Employee Forms	Employee Separation Forms
Application	Employee Status Change Request	Retirement Checklist
New Employee Checklist	Employee Record	Termination Checklist
Employment Interview	Performance Evaluation	COBRA Acknowledgment
Reference Check	Warning Notice	Unemployment Claim
Telephone Reference Report	Vacation Request	Employee Exit Interview
Employee Manual Acknowledgment	Probation Notice	
Employment Agreement	Job Description	
Employment Application Disclaimer	Probationary Evaluation	
Employee Secrecy Agreement	Direct Deposit Acknowledgment	
	Absence Report	
	Disciplinary Notice	
	Grievance Form	
	Expense Report	
	401(k) Choices Acknowledgment	
	Injury Report	

OTHER SOURCES Numerous direct-mail catalog companies also sell HR materials. For example, HRdirect (www.hrdirect.com) offers packages of personnel forms.[93] These include, for instance, Short- and Long-Form Employee Applications, Applicant Interviews, Employee Performance Reviews, Job Descriptions, Exit Interviews, and Absentee Calendars and Reports. There are also various legal-compliance forms, including standardized Harassment Policy and FMLA Notice forms, as well as posters (for instance, covering legally required postings for matters such as the Americans with Disabilities Act and Occupational Safety and Health Act) available.

Automating Individual HR Tasks

As the small business grows, it becomes impractical to rely on manual HR systems. It is at this point that most small to medium-sized firms begin computerizing individual human resource management tasks.

HR in Action at the Hotel Paris Lisa had managed to install several separate information systems, such as for performance appraisals. However, as she discussed one day over lunch with the CFO, these systems were not integrated. To see how she handled this, see the case on page 611 of this chapter.

PACKAGED SYSTEMS[94] Web sites such as www.capterra.com/ itemize HR software available from vendors such as Zenefits, Halogen TalentSpace, Fairsail HRIS, and Cezanne HR.[95] These vendors provide software solutions for virtually all personnel tasks, ranging from benefits management to compensation, compliance, employee relations, outsourcing, payroll, and time and attendance systems.

HRdirect sells software packages for monitoring attendance, employee record keeping, writing employee policy handbooks, and conducting computerized employee appraisals. The sites www.hrdirect.com, www.effortlesshr.com, and others offer software and online solutions for writing employee policy manuals, maintaining employee records (including name, address, marital status, number of dependents, emergency contact and phone numbers, hire date, and job history), writing performance reviews, creating job descriptions, tracking attendance and hours worked for each employee, employee scheduling, writing organizational charts, managing payroll, conducting employee surveys, scheduling and tracking employee training activities, and managing OSHA compliance, often cloud-based.[96]

KNOWLEDGE BASE

Human Resource Information Systems (HRIS)

As the company grows, a more comprehensive and integrated system becomes advisable. We can define a Human Resource Information System (HRIS) as human resource software that unifies HR management processes such as applicant tracking, hiring, training, performance management, benefits administration, and payroll into one automated system.[97] *PC Magazine* recently listed several top HR software packages; they include Gusto (https://gusto.com/) BambooHR (www.bamboohr.com/), Namely (www.namely.com/), Sage Business Cloud People (www.sagepeople.com/), Kronos Workforce (www.kronos.com/), and SAP Success Factors (www.successfactors.com/).[98]

As an example, Bamboo HR handles personnel tasks including *applicant tracking* (including automatically sending *recruitment* ads to job boards), employee *time off tracking, HR reporting* (in terms of detailed reports on employment levels, and so on), online employee *self on boarding*, and *performance management* in terms of tracking goals and helping managers appraise subordinates based on those goals.[99] As with Bamboo HR, there are several benefits to be gained by installing an HRIS. The first is improved transaction processing.

Improved Transaction Processing

The day-to-day minutiae of maintaining and updating employee records take an enormous amount of time. Small businesses therefore first adopt HR software packages to manage their personal records. And, by interacting with the company's employee database, these packages also produce employment data-related trend graphs and reports on personnel metrics such as turnover and compensation costs. *PC Magazine* recently rated BambooHR as an "Editor's choice" for these tasks.[100]

Online Self-Processing

HR information systems also facilitate employee self-processing. For example, with systems like that from Zenefits (www.zenefits.com), "[n]ew hires can self-enroll in medical, dental and vision benefits during onboarding, and employees can easily sign up during open enrollment."[101] Zenefits' system also facilitates employees signing up for Flexible Spending Accounts: It "makes enrolling a snap, issues all plan participants a debit card, and allows employees to track and manage their funds through our online dashboard."[102]

Improved Reporting Capability

By integrating numerous individual HR tasks (training records, appraisals, employee personal data, and so on), the HRIS improves HR's reporting capabilities. For example, reports might be available (company-wide and by department) for health-care cost per employee, pay and benefits as a percent of operating expense, cost per hire, report on training, volunteer turnover rates, turnover costs, time to fill jobs, and return on human capital invested (in terms of training and education fees, for instance).

HR System Integration

Because the HRIS's software components (record keeping, payroll, appraisal, and so forth) are integrated, they enable the employer to reengineer its HR function. For example, Oracle's PeopleSoft's HRIS[103] electronically routes salary increases, transfers, and other e-forms through the organization to the proper managers for approval. As one person signs off, it's routed to the next. If someone forgets to process a document, a smart agent issues reminders. The HRIS thus automates what might otherwise be a time-consuming manual process.

HRIS Vendors

Many firms today offer HRIS packages. Capterra.com, mentioned earlier, lists many vendors. The Web site for the International Association for Human Resource Information Management (www.ihrim.org) lists vendors such as Automatic Data Processing, Inc., Business Information Technology, Inc., Human Resource Microsystems, Lawson Software, Oracle Corporation, SAP America, Inc., and many other HRIS vendors. *PC Magazine* provides annual HR Software "Editor's Choice" lists.[104]

There are several practical considerations in choosing a software vendor.[105] For example, does the software provide *software-as-a-service* (SAaS) capability, or must it be kept and managed on the company's in-house servers? Does the package provide an intuitive user interface? Can you integrate it with your existing HR systems? And (particularly if it's stored in the cloud), security—mainly protecting personal data—is essential.

TRENDS SHAPING HR: *DIGITAL AND SOCIAL MEDIA*

HR on the Cloud

Most suppliers of human resource management systems, such as ADP, Kronos, Oracle, and SAP, offer cloud-based systems. Particularly for small business owners, the advantages of cloud systems are that the vendors can easily update them with the latest features—saving the small business owner much time and expense—and that the owner and employees can access the information anywhere they are.[106]

BambooHR illustrates an HR system especially designed for small and medium-sized businesses (www.bamboohr.com). This system enables authorized managers and employees to securely and remotely access company information on matters like time off and personal information, and to produce reports and/or follow trends on the system's customizable dashboards. It was also designed to be integrated with compatible applications, so it can be integrated with the small business's existing payroll systems, applicant tracking systems, benefits enrollment systems, and performance review systems.[107]

As another example, many employers outsource benefits administration to cloud-based services offered by firms like Zenefits. A new employee uses his or her laptop or smartphone to access the Zenefits Web site. He or she can then input personal information and sign documents via a touchscreen, and register for specific benefits.[108] ■

Chapter Review

Chapter Section Summaries

18-1. Many people reading this book will work for or own their own small businesses, so it's important to understand the **small business challenge.** Without effective human resource management, small business owners run the risk that they'll be at a competitive disadvantage or that without the necessary HR expertise they may commit mistakes that lead to litigation.

18-2. Being small, small businesses can particularly capitalize on freely available **Internet and government tools to support their HR efforts.** For example, you can use Department of Labor elaws Advisors to answer overtime questions, the EEOC's Web sites for answers on questions like "How can we resolve the charge?" and the Department of Labor's OSHA Web site to review, for instance, your small business handbook. To better compete, small business owners can also use online recruiting tools like those we discussed in Chapter 5 and training programs available online from companies such as PureSafety.

18-3. Small businesses need to capitalize on their strengths, and in this case, it means capitalizing on **familiarity, flexibility, and informality.** For example, be flexible about extra time off, compressed workweeks, and job enrichment. They can also use relatively informal but still effective employee selection procedures such as a work-sampling test. Informal training methods include online training opportunities, encouraging the sharing of best practices among associates, and sending employees to seminars. Because small businesses are often family businesses, it's important to treat nonfamily members fairly.

18-4. After reviewing all the challenges of managing human resources, many small business owners turn to **using professional employer organizations.** Also called *human resource outsourcers or employee* or *staff leasing firms*, these firms generally transfer the client firm's employees to the PEO's own payroll and thus become the employer of record for the employer's employees.

18-5. Small business managers need to understand how their **HR systems, procedures, and paperwork** will evolve. At first, there may be a simple manual human resource management system, for instance, with employee records compiled on forms from office supply companies and maintained in manual files. The employer then may purchase one or more packaged systems for automating individual HR tasks, for instance, such as applicant tracking and performance appraisal. As companies grow, they will look to integrate the separate systems with a human resource information system.

Discussion Questions

18-1. How and why is HR in small businesses different than that in large firms?

18-2. Explain why HRM is important to small businesses.

18-3. Explain and give at least five examples of ways entrepreneurs can use small size—familiarity, flexibility, and informality—to improve their HR processes.

18-4. Describe with examples how you would create a start-up, paper-based human resource system for a new small business.

Individual and Group Activities

18-5. Form teams of five or six persons, each with at least one person who owns or has worked for a small business. Based on their experiences, make a list of the "inadequate-HR risks" the business endured, in terms of competitive disadvantage, lack of specialized HR expertise, workplace litigation, compensation laws compliance, and paperwork/data-entry errors.

18-6. You own a small business, and you are confused about which of your employees is eligible for overtime pay. The employees in question include your secretary, two accounting clerks, one engineer, and two inside salespeople. Individually or in groups of four or five students, use the DOL's Overtime Security Advisor and DOL's Calculator to determine who gets overtime pay.

18-7. You have about 32 employees working in your factory. Working individually or in teams of four or five students, find and create a list of five online sources you could use to provide training to them, at no cost to you or to them.

18-8. Appendices A and B at the end of this book (pages 614–634) list the knowledge someone studying for the HRCI (Appendix A) or SHRM (Appendix B) certification exam needs to have in each area of human resource management (such as in Strategic Management and Workforce Planning). In groups of several students, do four things: (1) review Appendix A and/or B; (2) identify the material in this chapter that relates to the Appendix A and/or B required knowledge lists; (3) write four multiple-choice exam questions on this material that you believe would be suitable for inclusion in the HRCI exam and/or the SHRM exam; and (4) if time permits, have someone from your team post your team's questions in front of the class, so that students in all teams can answer the exam questions created by the other teams.

Experiential Exercise

Building an HRIS

Written and copyrighted by Gary Dessler, PhD.

Purpose: The purpose of this exercise is to give you practice in creating a human resource management system (HRIS).

Required Understanding: You should be fully acquainted with the material in this chapter.

How to Set Up the Exercise/Instructions: Divide the class into teams of several students. Each team will need access to the Internet.

Assume that the owners of a small business come to you with the following problem. They have a company with less than 40 employees. They have been taking care of all HR paperwork informally, mostly on slips of paper and with memos. They want you to supply them with a human resource management information system—how computerized it is will be up to you, but they can only afford a budget of $5,000 upfront (not counting your consulting), and then about $500 per year for maintenance. You know from your HR training that there are various sources of paper-based and online systems. Write a two-page proposal telling them exactly what your team would suggest, based on its accumulated existing knowledge, and from online research.

Application Case

Netflix Breaks the Rules[109]

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Why did Netflix survive as a start-up when the dot-com bubble burst in the late 1990s? Probably because, from the day he started Netflix, founder Reed Hastings believed in breaking the rules. His direct-to consumer mail and video streaming business model certainly helped Netflix to survive. But the firm's unorthodox human resource management practices helped the company to attract and keep the high producers who design the products that are the firm's lifeblood. Hastings knew that top Silicon Valley workers could choose where they worked, and high pay is pretty much standard throughout the Valley's industries. How to set oneself apart? Hastings and his start-up colleagues believed that a culture that balanced a flexible work environment with few constraints and high responsibility was the answer. They called the policy "Freedom and Responsibility."

Just how unorthodox are the Netflix HR practices? Consider this: As a Netflix professional you get unlimited vacations. One engineer takes 5-week vacations to Europe, because he likes (as he says) to take his time off in big chunks. (An HR officer must approve time off in excess of 30 days annually.) As a Netflix employee, your pay isn't tied to performance appraisals, or even to a compensation plan. Frequent market salary surveys and pay hikes keep everyone's pay aligned with Silicon Valley competitors'. Each employee decides whether to take his or her pay in cash or in Netflix stock. Options vest immediately. Netflix doesn't recruit much at college job fairs, instead hiring mostly highly experienced professionals. There's no training, professional development, or career planning at Netflix (except for legally required training, such as diversity training). You're in charge of your own career.

But with freedom like that comes responsibilities. The company expects its salaried employees to work hard—to "do the jobs of three or four people," as one report put it. And Netflix doesn't have the "frat party" free-wheeling atmosphere that many dot-coms do. It's an adult environment. Netflix does not coddle underperformers. Yearly 360-degree performance reviews provide "direct and honest feedback." Those that aren't cutting it are quickly let go, but (whenever possible) amicably. Rather than the sorts of litigiousness that often characterize dismissals in other firms (having to prove the person was incompetent, for instance), Netflix writes a check. The company believes that a handsome severance payment helps maintain the person's dignity, makes it easier for supervisors to make tough calls with underperformers, and, of course, minimizes blowback from those it dismisses. It's more like a "no-fault divorce," as one observer put it.

Questions

In many respects, the Netflix HR strategy seems like a dream come true for small businesses. You don't need a pay plan; instead, you just update each person's pay every few months based on market surveys. You offer no training and development. And you don't track vacation time, more or less. If someone's not doing well, you just pay him or her to leave, with no hassles. Netflix seems to have hit upon its own version of "Netflix High-Performance Work Practices." Given that, answer the following questions (please be specific).

18-9. What (if anything) is it about Netflix that makes its HR practices work for it?

18-10. Would you suggest using similar practices in other businesses, such as, say, a new restaurant? Why?

18-11. List the criteria you would use for deciding whether another company is right for Netflix-type HR practices.

18-12. What argument would you make in response to the following: "Netflix just lucked out; they'd have done even better with conventional HR practices."

Continuing Case

Carter Cleaning Company

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Cleaning in Challenging Times

As the economic downturn worsened a few years ago, revenues at the Carter stores fell steeply. Many of their customers were simply out of work and didn't need (or couldn't afford) dry cleaning. The Carters actually found themselves giving away some free cleaning services. They started a new program wherein existing customers could get one suit or dress cleaned free each month if they needed it for a job interview.

In the midst of this downturn, the Carters knew they had to get their employment costs under control. The problem was that, realistically, there wasn't much room for cutting staffing in a store. Of course, if a store got very slow, they could double up by having a cleaner/spotter spend some time pressing, or having the manager displace the counter person. But if sales only fell 15% to 20% per store, there really wasn't much room for reducing employee head count because each store never employed many people in the first place.

The question, therefore, naturally arose as to whether the Carters could cut their employment expenses without dismissing too many people. Jennifer Carter has several questions for you.

Questions

18-13. Assume that we don't want to terminate any of our employees. What work-scheduling-related changes could we make that would reduce our payrolls by, say, 20% per week but still keep all our employees on board?

18-14. We are currently handling most of our personnel-related activities, such as sign-ons, benefits administration, and appraisals, manually. What specific suggestions would you have for us in terms of using software systems to automate our HR processes?

18-15. Suggest at least five free Internet-based sources we could turn to for helping us to lower our total employment costs.

Translating Strategy into HR Policies and Practices Case*,§

**The accompanying strategy map for this chapter is in MyLab Management; the overall map on the inside back cover of this text outlines the relationships involved.*

Improving Performance at the Hotel Paris

The New HRIS

The Hotel Paris's competitive strategy is "To use superior guest service to differentiate the Hotel Paris properties, and to thereby increase the length of stay and return rate of guests, and thus boost revenues and profitability." HR manager Lisa Cruz must now formulate functional policies and activities that support this competitive strategy and boost performance by eliciting the required employee behaviors and competencies.

Challenging economic times in the past few years brought the drawbacks of the Hotel Paris's relatively small size into sharp relief. Large chains like Marriott had vast online reservations capabilities with huge centralized systems that easily and economically handled reservations requests from throughout the world. By comparison, the Hotel Paris still handled reservations much as hotels did 15 years ago, either with separate Web sites for each of their hotel locations, e-mail, or an 800 number.

Their human resource management information systems were similarly primitive. Lisa had managed to install several separate information systems, such as for performance appraisals. However, as she discussed one day over lunch with the CFO, the HR systems were not integrated. Therefore, if an employee changed his or her name, for instance, through marriage, people in Lisa's office had to execute all those name changes manually on all the various employee rosters and benefits plans.

This lack of integration was bad enough in boom times, but was worse as the economy soured. The CFO pointed out to her that the amount of money they were spending on human resource management administration was about 30% higher than it was at larger chains such as Marriott. He understood that large size brings economies of scale. But he believed there had to be something they could do to reduce the cost of administering human resource management.

Lisa's solution was to get the CFO's approval to have several software consulting firms including IBM, Accenture, and Oracle provide proposals for how to integrate the hotel's HR information systems. After getting the CFO's and CEO's approval, they contracted with one vendor and installed the system.

Questions

18-16. Using any benchmark data that you can find, including information from this book, what are some benchmark metrics that Lisa could be using to assess the efficiency of her human resource management operations? To what extent does the Hotel Paris's quality service orientation enter into how Lisa's metrics should compare?

18-17. Throughout this book, we've discussed various specific examples of how human resource management departments have been reducing the cost of delivering their services. Keeping in mind the Hotel Paris's quality service orientation, please list and explain with examples how Lisa Cruz could use at least five of these.

18-18. Focusing only on human resource information systems for a moment, what sorts of systems would you suggest Lisa consider recommending for the Hotel Paris? Why?

18-19. Explain with detailed examples how Lisa can use free online and governmental sources to accomplish at least part of what you propose in your previous answers.

18-20. Give three examples of fee-based online tools you suggest Lisa use.

18-21. Based on what you read in this chapter of Dessler, *Human Resource Management*, do you suggest Lisa use a PEO? Why?

§ Written and copyrighted by Gary Dessler, PhD.

MyLab Management

Go to **www.pearson.com/mylab/management** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

18-22. Explain and give at least four examples of how entrepreneurs can use Internet and government tools to support the HR effort.

18-23. This chapter explained that to compete with larger employers, the small business owner should capitalize on familiarity, flexibility, and informality. What does this mean, and how as a small business owner would you do that?

18-24. MyLab Management only—comprehensive writing assignment for this chapter.

MyLab Management Try It!

How would you apply the concepts and skills you learned in this chapter? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the simulation.

PERSONAL INVENTORY ASSESSMENTS

Running one's own business requires a knack for knowing how to delegate. Go to **www.pearson.com/mylab/management** to complete the Personal Inventory Assessment related to this chapter.

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APPENDIX A

HRCI's PHR® and SPHR® Certification Body of Knowledge

ABOUT THE HR CERTIFICATION INSTITUTE PHR AND SPHR BODY OF KNOWLEDGE

The HRCI PHR (Professional in Human Resources) and SPHR (Senior Professional in Human Resources) exams are created using the Institute's PHR and SPHR Body of Knowledge, which outlines the responsibilities of, and knowledge needed by, today's HR professional. The PHR and SPHR Body of Knowledge is updated periodically to ensure it is consistent with current practices in the HR field. All questions appearing on the exams are linked to the Body of Knowledge's responsibility and knowledge statements. The HRCI organizes its PHR and SPHR Body of Knowledge into six functional areas (such as Functional Area 01: Business Management and Strategy), each listing various responsibilities and knowledge statements. For brevity, we list just the required knowledge items here, alongside the corresponding chapters in this book that address each particular knowledge area. To see the entire Body of Knowledge (including responsibilities), please go to certification-handbook at HRCI.org.

You'll find two numbers after each functional area heading. The first number is the percentage of the PHR exam that is about that topic. The second number is the percentage of the SPHR exam that is about that topic.

Functional Area 01: Business Management and Strategy (PHR: 11%, SPHR: 30%)

Developing, contributing to and supporting the organization's mission, vision, values, strategic goals and objectives; formulating policies; guiding and leading the change process; and evaluating organizational effectiveness as an organizational leader.

ADDRESSED IN THIS BOOK IN CHAPTER(S):	KNOWLEDGE OF	
1, 3	01	The organization's mission, vision, values, business goals, objectives, plans and processes
2, 11, 14, 15, 16, and Know Your Employment Law features in Chapters 2–16	02	Legislative and regulatory processes
1, 3, strategic Hotel Paris cases in Chapters 3–18 with in-chapter call-outs, "strategic" chapter openers, and Improving Performance: The Strategic Context features in most chapters	03	Strategic planning process, design, implementation and evaluation
1, 3	04	Management functions, including planning, organizing, directing and controlling
12, 14	05	Corporate governance procedures and compliance (for example: Sarbanes–Oxley Act)
1, 3, 5	06	**SPHR only* Due diligence processes (for example: M&A, divestitures)

1, 3, 5	07	**SPHR only* Transition techniques for corporate restructuring, M&A offshoring and divestitures
	08	Elements of a cost-benefit analysis during the life cycle of the business (such as scenarios for growth, including expected, economic stressed and worst-case conditions) and the impact to net worth/earnings for short-, mid- and long-term horizons
3, 11,14	09	Business concepts (for example: competitive advantage, organizational branding, business case development, corporate responsibility)
3, 14, 16, 18	10	Business processes (for example: operations, sales and marketing, data management)

Functional Area 02: Workforce Planning and Employment (PHR: 24%, SPHR: 17%)

Developing, implementing and evaluating sourcing, recruitment, hiring, orientation, succession planning, retention and organizational exit programs necessary to ensure a workforce's ability to achieve the organization's goals and objectives.

ADDRESSED IN THIS BOOK IN CHAPTER(S):		KNOWLEDGE OF
2, 4, 5, 6, 7, and Know Your Employment Law features in Chapters 1–14	11	Applicable federal laws and regulations related to workforce planning and employment activities (for example: Title VII, ADA, EEOC Uniform Guidelines on Employee Selection Procedures, Immigration Reform and Control Act)
3, 4, 5, 6, and HR as a Profit Center features in Chapters 1–14	12	Methods to assess past and future staffing effectiveness (for example: costs per hire, selection ratios, adverse impact)
5	13	Recruitment sources (for example: employee referral, social networking/social media) for targeting passive, semi-active and active candidates
5	14	Recruitment strategies
1, 5	15	Staffing alternatives (for example: outsourcing, job sharing, phased retirement)
3, 4, 5	16	Planning techniques (for example: succession planning, forecasting)
2, 6, 7	17	Reliability and validity of selection tests/tools/ methods
6	18	Use and interpretation of selection tests (for example: psychological/personality, cognitive, motor/physical assessments, performance, assessment center)
6	19	Interviewing techniques (for example: behavioral, situational, panel)
5, 10, 11, 12, 13, 14	20	Impact of compensation and benefits on recruitment and retention
5, 17, and HR Practices Around the Globe features in Chapters 4–17	21	**SPHR only* International HR and implications of global workforce for workforce planning and employment
5, 10, 14	22	Voluntary and involuntary terminations, downsizing, restructuring and outplacement strategies and practices
4, 5, 6, 7, 8, 9, 10	23	Internal workforce assessment techniques (for example: skills testing, skills inventory, workforce demographic analysis)
3, 8, 10, 18	24	Employment policies, practices and procedures (for example: orientation, on-boarding and retention)
5	25	Employer marketing and branding techniques
15	26	Negotiation skills and techniques

Functional Area 03: Human Resource Development (PHR: 18%, SPHR: 19%)

Developing, implementing and evaluating activities and programs that address employee training and development, performance appraisal and talent and performance management to ensure that the knowledge, skills, abilities and performance of the workforce meet current and future organizational and individual needs.

ADDRESSED IN THIS BOOK IN CHAPTER(S):		KNOWLEDGE OF
8 and in Know Your Employment Law features in this chapter and Chapters 2–18	27	Applicable federal laws and regulations related to HR development activities (for example: Title VII, ADA, Title 17 [Copyright law])
5, 8, 9, 10	28	Career development and leadership development theories and applications (for example: succession planning, dual career ladders)
8	29	Organizational development (OD) theories and applications
8	30	Training program development techniques to create general and specialized training programs
8	31	Facilitation techniques, instructional methods and program delivery mechanisms
4, 8	32	Task/process analysis
9	33	Performance appraisal methods (for example: instruments, ranking and rating scales)
9, 11, 12	34	Performance management methods (for example: goal setting, relationship to compensation, job placements/promotions)
HR Practices Around the Globe features in most chapters and Chapter 17 (Global HR)	35	**SPHR only* Applicable global issues (for example: international law, culture, local management approaches/practices, societal norms)
8	36	Techniques to assess training program effectiveness, including use of applicable metrics (for example: participant surveys, pre- and post-testing)
8, 10	37	Mentoring and executive coaching

Functional Area 04: Compensation and Benefits (PHR: 19%, SPHR: 13%)

Developing/selecting, implementing/administering and evaluating compensation and benefits programs for all employee groups in order to support the organization's goals, objectives and values.

ADDRESSED IN THIS BOOK IN CHAPTER(S):		KNOWLEDGE OF
2, 11, 12, 13, 15, and Know Your Employment Law features	38	Applicable federal laws and regulations related to compensation, benefits, and tax (for example: FLSA, ERISA, FMLA, USERRA)
11, 12, 13	39	Compensation and benefits strategies
	40	Budgeting and accounting practices related to compensation and benefits
11	41	Job evaluation methods
11	42	Job pricing and pay structures
5, 11	43	External labor markets and/or economic factors
11, 12	44	Pay programs (for example: variable, merit)
11, 12, 13	45	**SPHR only* Executive compensation methods
11, 12, 13, 14	46	Noncash compensation methods (for example: equity programs, noncash rewards)
11	47	Benefits programs (for example: health and welfare, retirement, Employee Assistance Programs [EAPs])

Addressed in this book in chapter(s)	No.	Knowledge
11, 12, 13, 17, and HR Around the Globe features	48	**SPHR only* International compensation laws and practices (for example: expatriate compensation, entitlements, choice of law codes)
11, 12, 13	49	Fiduciary responsibilities related to compensation and benefits

Functional Area 05: Employee and Labor Relations (PHR: 20%, SPHR: 14%)

Developing, implementing/administering and evaluating the workplace in order to maintain relationships and working conditions that balance employer/employee needs and rights in support of the organization's goals and objectives.

ADDRESSED IN THIS BOOK IN CHAPTER(S):		KNOWLEDGE OF
2, 10, 14, 15	50	Applicable federal laws affecting employment in union and nonunion environments, such as laws regarding antidiscrimination policies, sexual harassment, labor relations, and privacy (for example: WARN Act, Title VII, NLRA)
14 (Building Positive Employee Relations), 15	51	Techniques and tools for facilitating positive employee relations (for example: employee surveys, dispute/ conflict resolution, labor/management cooperative strategies)
3, 4, 14	52	Employee involvement strategies (for example: employee management committees, self-directed work teams, staff meetings)
10, 14	53	Individual employment rights issues and practices (for example: employment at will, negligent hiring, defamation)
9, 10, 14, 15	54	Workplace behavior issues/practices (for example: absenteeism and performance improvement)
15	55	Unfair labor practices
15	56	The collective bargaining process, strategies and concepts (for example: contract negotiation, costing and administration)
10, 14, including Know Your Employment Law features	57	Legal disciplinary procedures
11, 12, 13, 14	58	Positive employee relations strategies and non-monetary rewards
3, 14, 15	59	Techniques for conducting unbiased investigations
10, 14, 15, including Know Your Employment Law features	60	Legal termination procedures

Functional Area 06: Risk Management (PHR: 8%, SPHR: 7%)

Developing, implementing/administering and evaluating programs, procedures and policies in order to provide a safe, secure working environment and to protect the organization from potential liability.

ADDRESSED IN THIS BOOK IN CHAPTER(S):		KNOWLEDGE OF
2, 14, 16, including Know Your Employment Law features	61	Applicable federal laws and regulations related to workplace health, safety, security and privacy (for example: OSHA, Drug-Free Workplace Act, ADA, HIPAA, Sarbanes–Oxley Act)
16	62	Occupational injury and illness prevention (safety) and compensation programs
16	63	Investigation procedures of workplace safety, health and security enforcement agencies
13, 16	64	Return to work procedures (for example: interactive dialog, job modification, accommodations)
16	65	Workplace safety risks (for example: trip hazards, blood-borne pathogens)

16	66	Workplace security risks (for example: theft, corporate espionage, sabotage)
14, 16	67	Potential violent behavior and workplace violence conditions
16	68	General health and safety practices (for example: evacuation, hazard communication, ergonomic evaluations)
16	69	Organizational incident and emergency response plans
14, 16	70	Internal investigation, monitoring and surveillance techniques
13, 14, 16	71	Employer/employee rights related to substance abuse
16, 18	72	Business continuity and disaster recovery plans (for example: data storage and backup, alternative work locations, procedures)
14, 16, 18	73	Data integrity techniques and technology (for example: data sharing, password usage, social engineering)
3, 4, 5, 18, and Trends Shaping HR: Digital and Social Media and Improving Performance Through HRIS features in Chapters 3–16	74	Technology and applications (for example: social media, monitoring software, biometrics)
	75	Financial management practices (for example: procurement policies, credit card policies and guidelines, expense policies)

CORE KNOWLEDGE

3, 8	76	Needs assessment and analysis
13, 18	77	Third-party or vendor selection, contract negotiation and management, including development of requests for proposals (RFPs)
9, 10, 14	78	Communication skills and strategies (for example: presentation, collaboration, sensitivity)
2, 4, 6, 9, 15, 16, 18, and Know Your Employment Law features in Chapters 2–16	79	Organizational documentation requirements to meet federal and state guidelines
8	80	Adult learning processes
8, 12, 13, 14	81	Motivation concepts and applications
8	82	Training techniques (for example: virtual, classroom, on-the-job)
	83	Leadership concepts and applications
	84	Project management concepts and applications
2 and Diversity features in most chapters	85	Diversity concepts and applications (for example: generational, cultural competency, learning styles)
14	86	Human relations concepts and applications (for example: emotional intelligence, organizational behavior)
1, 14	87	Ethical and professional standards
3–18 plus Trends Shaping HR: Digital and Social Media and Improving Performance Through HRIS features in most chapters	88	Technology to support HR activities (for example: HR Information Systems, employee self-service, E-learning, applicant tracking systems)
1, 3, and HR as a Profit Center features in most chapters	89	Qualitative and quantitative methods and tools for analysis, interpretation and decision-making purposes (for example: metrics and measurements, cost/benefit analysis, financial statement analysis)
8	90	Change management theory, methods and application
4	91	Job analysis and job description methods
4, 5, 18	92	Employee records management (for example: electronic/paper, retention, disposal)

3, 4, Improving Performance: The Strategic Context features in most chapters, a continuing strategic Hotel Paris case with in-chapter callouts in Chapters 3–16, and "strategic" chapter openers	93	Techniques for forecasting, planning and predicting the impact of HR activities and programs across functional areas
1, 4	94	Types of organizational structures (for example: matrix, hierarchy)
3	95	Environmental scanning concepts and applications (for example: Strengths, Weaknesses, Opportunities and Threats [SWOT], and Political, Economic, Social and Technological [PEST])
8, 14	96	Methods for assessing employee attitudes, opinions and satisfaction (for example: surveys, focus groups/panels)
	97	Budgeting, accounting and financial concepts
16	98	Risk-management techniques

APPENDIX B

About the Society for Human Resource Management (SHRM) Body of Competency & Knowledge® Model and Certification Exams

In 2011, SHRM began a program of research involving thousands of HR professionals to identify the critical competencies needed for success as an HR professional. This research led to the development of the SHRM Competency Model, which defines eight key behavioral competencies (*Ethical Practice*, *Leadership & Navigation*, *Business Acumen*, *Relationship Management*, *Communication*, *Consultation*, *Critical Evaluation*, and *Global & Cultural Effectiveness*) and one technical competency (*HR Expertise*). The SHRM Competency Model provides HR professionals with a comprehensive roadmap for developing the capabilities they need to advance their careers and improve their effectiveness in the workplace.

The SHRM Body of Competency & Knowledge® (SHRM BoCK®), which is based on the SHRM Competency Model outlines the content of SHRM's certification examinations, the SHRM Certified Professional (SHRM-CP®) exam for early-career and mid-level practitioners, and the SHRM Senior Certified Professional (SHRM-SCP®) exam for senior-level and executive practitioners.

In brief, the SHRM Body of Competency & Knowledge® model is based on a foundation of 15 "HR functional areas" such as HR Strategic Planning, and Talent Acquisition, which SHRM then groups into three main domains—People, Organization, and Workplace. The SHRM Body of Competency & Knowledge® model then layers, on top of these 15 functional knowledge areas, eight behavioral competencies, such as *Leadership & Navigation*, *Business Acumen*, and *Ethical Practice*.

The HR competencies and knowledge that are assessed on the SHRM-CP® and SHRM-SCP® exams are detailed in the SHRM BoCK®, which consists of the following two sections: Section 1: Behavioral Competencies, and Section 2: HR Expertise (HR Knowledge).

SECTION 1: BEHAVIORAL COMPETENCIES

Behavioral competencies describe the behaviors and attributes necessary for HR professionals to operate with a strategic mindset and perform effectively in the workplace. They facilitate the application of technical knowledge (i.e., *HR Expertise*), which may be defined as the principles, practices and functions of effective HR management (see Section 2). Successful HR professionals must understand the behavioral components of HR practice in addition to being in command of technical HR knowledge.

Organizing Framework of Behavioral Competency Clusters

CLUSTER	COMPETENCY	DEFINITION
Leadership	Leadership & Navigation	The knowledge, skills, abilities, and other characteristics (KSAOs) needed to navigate the organization and accomplish HR goals, to create a compelling vision and mission for HR that aligns with the strategic direction and culture of the organization, to lead and promote organizational change, to manage the implementation and execution of HR initiatives, and to promote the role of HR as a key business partner.
	Ethical Practice	The KSAOs needed to maintain high levels of personal and professional integrity, and to act as an ethical agent who promotes core values, integrity and accountability throughout the organization.
Interpersonal	Relationship Management	The KSAOs needed to create and maintain a network of professional contacts within and outside of the organization, to build and maintain relationships, to work as an effective member of a team, and to manage conflict while supporting the organization.
	Communication	The KSAOs needed to effectively craft and deliver concise and informative communications, to listen to and address the concerns of others, and to transfer and translate information from one level or unit of the organization to another.
	Global & Cultural Effectiveness	The KSAOs needed to value and consider the perspectives and backgrounds of all parties, to interact with others in a global context, and to promote a diverse and inclusive workplace.
Business	Business Acumen	The KSAOs needed to understand the organization's operations, functions and external environment, and to apply business tools and analyses that inform HR initiatives and operations consistent with the overall strategic direction of the organization.
	Consultation	The KSAOs needed to work with organizational stakeholders in evaluating business challenges and identifying opportunities for the design, implementation and evaluation of change initiatives, and to build ongoing support for HR solutions that meet the changing needs of customers and the business.
	Critical Evaluation	The KSAOs needed to collect and analyze qualitative and quantitative data, and to interpret and promote findings that evaluate HR initiatives and inform business decisions and recommendations.

SECTION 2: HR EXPERTISE (HR KNOWLEDGE)

Technical HR knowledge (i.e., *HR Expertise*) is defined as the principles, practices and functions of effective HR management. Its application is facilitated by behavioral competencies (see Section 1). Successful HR professionals must be in command of both technical HR knowledge and the behavioral components of HR practice. This approach, which is supported by SHRM research (see Introduction), emphasizes the critical and integrated roles played by technical HR knowledge (**what** you know) **and** by behavioral competencies (how you **apply** what you know) in contributing to effective HR practice.

Functional Area #1: HR Strategic Planning

Definition: *HR Strategic Planning* involves the activities necessary for developing, implementing and managing the strategic direction required to achieve organizational success and to create value for stakeholders.

ADDRESSED IN THIS BOOK IN CHAPTER(S):	KEY CONCEPTS:
	• Approaches to project management (e.g., traditional, Lean Six Sigma, agile, critical chain) and processes (e.g., initiating, planning and design, launching/executing, monitoring and controlling, closing).
	• Concepts of systems thinking (e.g., related parts, input-process-output) and components of an organizational system (e.g., interdependence, necessity of feedback, differentiation of units).
1, 3, strategic Hotel Paris cases in Chapters 3–18 with in-chapter call-outs, “strategic” chapter openers, and Improving Performance: The Strategic Context features in most chapters	• Organizational mission, vision and values, and their relation to strategic management and planning.
	• Project planning, monitoring and reporting methods and tools (e.g., critical path analysis, Gantt charts, variance analysis, outcome monitoring).
	• Project leadership, governance and structures (e.g., team roles, team management, work breakdown structures).
1, 3, strategic Hotel Paris cases in Chapters 3–18 with in-chapter call-outs, “strategic” chapter openers, and Improving Performance: The Strategic Context features in most chapters	• Role of strategic management and planning in creating and sustaining competitive advantage.
1, 3, strategic Hotel Paris cases in Chapters 3–18 with in-chapter call-outs, “strategic” chapter openers, and Improving Performance: The Strategic Context features in most chapters	• Strategic planning analysis frameworks (e.g., PESTLE analysis, SWOT analysis, industry analysis, scenario planning, growth-share matrix).
1, 3, strategic Hotel Paris cases in Chapters 3–18 with in-chapter call-outs, “strategic” chapter openers, and Improving Performance: The Strategic Context features in most chapters	• Strategic planning process (e.g., formulation, goal-setting, implementation, evaluation).
	• Systems theory and input-process-output models.

PROFICIENCY INDICATORS

For All HR Professionals	For Advanced HR Professionals
• Uses the perspective of systems thinking to understand how the organization operates.	• Identifies the ways in which the HR function can support the organization’s strategy and goals.
• Informs business decisions with knowledge of the strategy and goals of HR and the organization.	• Engages other business leaders in strategic analysis and planning.
• Develops and implements an individual action plan for executing HR’s strategy and goals.	• Evaluates HR’s critical activities in terms of value added, impact and utility, using cost-benefit analysis, revenue, profit-and-loss estimates and other leading or lagging indicators.
• Uses benchmarks, industry metrics and workforce trends to understand the organization’s market position and competitive advantage.	• Provides HR-focused expertise to other business leaders when formulating the organization’s strategy and goals.
• Informs HR leadership of new or overlooked opportunities to align HR’s strategy with the organization’s.	• Develops and implements HR strategy, vision and goals that align with and support the organization’s strategy and goals.
• Provides HR leadership with timely and accurate information required for strategic decision making.	• Ensures that HR strategy creates and sustains the organization’s competitive advantage.

Functional Area #2: Talent Acquisition

Definition: *Talent Acquisition* encompasses the activities involved in building and maintaining a workforce that meets the needs of the organization.

ADDRESSED IN THIS BOOK IN CHAPTER(S):	KEY CONCEPTS:
8	• Approaches to employee onboarding.
5	• Approaches to sourcing (e.g., external talent pipelines).
4, 5, 11	• Employment categories (e.g., salaried/ hourly, contract, temporary, interns).
4	• Job analysis and identification of job requirements
6	• Job offer contingencies (e.g., background investigations, credit checks).
6,11	• Job offer negotiations (e.g., salary).
1, 8, 9, 10, 11, 14, 15, 16	• Methods for creating and maintaining a positive employer value proposition (EVP) and employment brand.
5	• Methods for external and internal employee recruitment (e.g., job ads, career fairs).
2, 6, 7	• Methods for selection assessment (e.g., ability, job knowledge, non-cognitive tests, assessment centers, interviews).
3, 4, 5, 6	• Talent acquisition metrics (e.g., cost per hire, time to fill).

PROFICIENCY INDICATORS

For All HR Professionals

- Understands the talent needs of the organization or business unit.
- Uses a wide variety of talent sources and recruiting methods to attract qualified applicants.
- Uses technology (e.g., social media, applicant tracking software [ATS]) to support effective and efficient approaches to sourcing and recruiting employees.
- Promotes and uses the EVP and employment brand for sourcing and recruiting applicants.
- Uses the most appropriate hiring methods to best evaluate a candidate's technical skills, organizational fit and alignment with the organization's competencies needs.
- Conducts appropriate pre-employment screening.
- Implements effective onboarding and orientation programs for new employees.
- Designs job descriptions to meet the organization's resource needs.

For Advanced HR Professionals

- Analyzes staffing levels and projections, to forecast workforce needs.
- Develops strategies for sourcing and acquiring a workforce that meets the organization's needs.
- Establishes an EVP and employment brand that supports recruitment of high-quality job applicants.
- Designs and oversees effective strategies for sourcing, recruiting and evaluating qualified job candidates.
- Designs and oversees employee onboarding and assimilation processes.
- Designs and oversees valid and systematic programs for assessing the effectiveness of talent acquisition activities that meet the organization's needs.

Functional Area #3: Employee Engagement & Retention

Definition: *Employee Engagement & Retention* refers to activities aimed at retaining high-performing talent, solidifying and improving the relationship between employees and the organization, creating a thriving and energized workforce, and developing effective strategies to address appropriate performance expectations from employees at all levels.

ADDRESSED IN THIS BOOK IN SPECIAL EMPLOYEE ENGAGEMENT GUIDE FOR MANAGERS FEATURES IN CHAPTERS 3–16, AND IN THE FOLLOWING CHAPTERS:	KEY CONCEPTS:
1, 10, 11, 12, 13, 14, 15, 16	• Approaches to developing and maintaining a positive organizational culture (e.g., learning strategies, communication strategies, building values).
9, 10, 11, 12, 14	• Approaches to recognition (e.g., performance or service awards).
14	• Creation, administration, analysis and interpretation of employee attitude surveys.

Special engagement features in Chapters 1–16, and Chapter 14	• Creation, planning and management of employee engagement activities.
10	• Employee lifecycle phases (e.g., recruitment, integration, development, departure).
10	• Employee retention concepts (e.g., causes of turnover) and best practices (e.g., realistic job previews [RJP]).
8, 10, 14	• Influence of culture on organizational outcomes (e.g., organizational performance, organizational learning, innovation).
Engagement features in Chapters 1–6, and Chapter 14	• Interventions for improving job attitudes.
11, 12, 14	• Job attitude theories and basic principles (e.g., engagement, satisfaction, commitment).
4, 14	• Job enrichment/enlargement principles and techniques.
9	• Key components of, and best practices associated with, performance management systems.
8, 10, 14	• Methods for assessing employee attitudes (e.g., focus groups, stay interviews, surveys).
9	• Principles of effective performance appraisal (e.g., goal setting, giving feedback).
3, 10	• Retention and turnover metrics (e.g., voluntary turnover rate).
10, 14	• Types of organizational cultures (e.g., authoritarian, mechanistic, participative, learning, high performance).
13, 14	• Workplace flexibility programs (e.g., telecommuting, alternative work schedules).

PROFICIENCY INDICATORS

For All HR Professionals

- Designs, administers, analyzes and interprets surveys of employee attitudes (e.g., engagement, job satisfaction) and culture.
- Administers and supports HR and organizational programs designed to improve employee attitudes and culture (e.g., social events, telecommuting policies, recognition, job enlargement/enrichment, workplace flexibility).
- Identifies program opportunities to create more engaging or motivating jobs (e.g., job enrichment/enlargement).
- Monitors changes in turnover and retention metrics, and ensures that leadership is aware of such changes.
- Coaches supervisors on creating positive working relationships with their employees.
- Trains stakeholders on use of organization's performance management systems (e.g., how to enter performance goals, make ratings).
- Helps stakeholders understand the elements of satisfactory employee performance and performance management.
- Implements and monitors processes that measure effectiveness of performance management systems.

For Advanced HR Professionals

- In collaboration with other leaders, defines an organizational strategy to create an engaged workforce.
- Implements best practices for employee retention in HR programs, practices and policies (e.g., RJP, career development programs, employee socialization).
- Communicates to other senior leaders the results of surveys of employee attitudes and culture.
- Designs and oversees an action plan to address the findings of employee attitude surveys.
- Designs and oversees HR and organizational programs designed to improve employee attitudes (e.g., social events, telecommuting policies, recognition, job enlargement/enrichment, workplace flexibility).
- Holistically monitors the organization's metrics on employee attitudes, turnover and retention, and other information about employee engagement and retention.
- Designs and oversees best practices-based employee performance management systems that meet the organization's talent management needs.
- Designs and oversees processes to measure the effectiveness of performance management systems.

Functional Area #4: Learning & Development

Definition: *Learning & Development* activities enhance the knowledge, skills, abilities and other characteristics (KSAOs) and competencies of the workforce in order to meet the organization's business needs.

ADDRESSED IN THIS BOOK IN CHAPTER(S):	KEY CONCEPTS:
8, 9, 10	• Approaches to coaching and mentoring (e.g., formal, informal mentorship programs).
10	• Career development.
8, 9	• Developmental assessments (e.g., 360s).
8, 14	• Knowledge-sharing techniques and facilitation.
8	• Learning and development approaches and techniques (e.g., e-learning, leader development).
8	• Learning and development program design and implementation (e.g., ADDIE model).
8	• Learning evaluation (e.g., Kirkpatrick 4-level model).
8	• Learning theories (e.g., adult learning theory).
8	• Needs analysis types (e.g., person, organizational, training, cost-benefit) and techniques (e.g., surveys, observations, interviews).
3 and HR as a Profit Center features in many chapters	• Organizational analysis (e.g., performance analysis).
10	• Techniques for career development (e.g., career pathing, career mapping).

PROFICIENCY INDICATORS

For All HR Professionals

- Uses best practices to evaluate data on gaps in competencies.
- Creates individual development plans (IDPs) in collaboration with supervisors and employees.
- Uses best practices to develop and deliver learning and development activities that close gaps in employees' competencies and skills.
- Uses all available resources (e.g., vendors) to develop and deliver effective learning and development programs.
- Creates internal social networks to facilitate knowledge-sharing among employees.
- Administers and supports programs to promote knowledge transfer.

For Advanced HR Professionals

- Designs and oversees efforts to collect data on critical gaps in competencies.
- Provides guidance to identify and develop critical competencies that meet the organization's talent needs.
- Monitors the effectiveness of programs for emerging leaders and leadership development.
- Creates long-term organizational strategies to develop talent.
- Creates strategies to ensure the retention of organizational knowledge.

Functional Area #5: Total Rewards

Definition: *Total Rewards* refers to the design and implementation of compensation systems and benefit packages, which employers use to attract and retain employees.

ADDRESSED IN THIS BOOK IN CHAPTER(S):	KEY CONCEPTS:
11	• Approaches to gathering compensation- and benefits-related market and competitive intelligence (e.g., remuneration surveys).
11, 18	• Basic accounting and financial knowledge for managing payroll (e.g., total compensation statements).
11	• Compensation philosophies.
11, 12, 13, 17	• Compensation plans for common and special workforce groups (e.g., domestic, global/expatriate, executive, sales).
11	• Job evaluation for determining compensation and benefits.

11, 13	• Leave plans and approaches (e.g., vacation, holiday, sick, paid/unpaid leave).
13	• Other benefits (e.g., disability, unemployment insurance, employee assistance programs, family, flex, wellness programs).
11, 12, 13	• Other compensation (e.g., deferred compensation, direct/indirect compensation, stock options).
11, 12, 13	• Pay practices and issues (e.g., pay increases, base pay, pay levels, banding, variable pay).
11	• Remuneration and labor market data collection and interpretation.
11	• Remuneration data analysis (e.g., comparable worth, determining compensation, internal alignment, external competitiveness).
10, 13	• Retirement planning and benefits (e.g., pension plans).
11	• Total rewards metrics and benchmarks.

PROFICIENCY INDICATORS	
For All HR Professionals	For Advanced HR Professionals
• Collects, compiles and interprets compensation and benefits data from various sources (e.g., remuneration surveys, labor market trends). • Implements appropriate pay, benefit, incentive, separation and severance systems and programs. • Complies with best practices for and laws and regulations governing compensation and benefits. • Differentiates between government-mandated, government-provided and voluntary benefit approaches. • Performs accurate job evaluations to determine appropriate compensation.	• Designs and oversees organizational compensation and benefits philosophies, strategies and plans that align with the organization's strategic direction and talent needs. • Designs and oversees executive compensation approaches that directly connect individual performance to organizational success. • Ensures the internal equity of compensation systems.

Functional Area #6: Structure of the HR Function

Definition: *Structure of the HR Function* encompasses the people, processes, theories and activities involved in the delivery of HR-related services that create and drive organizational effectiveness.

When necessary, HR professionals should be able to recognize opportunities to improve HR operations or structure in response to such factors as changes in the workforce, globalization and organizational restructuring.

ADDRESSED IN THIS BOOK IN CHAPTER(S):	KEY CONCEPTS:
1, 4	• Approaches to HR operational integration (i.e., how HR structures work together).
1	• Approaches to HR function/service models (e.g., centralized vs. decentralized).
1	• Approaches to HR structural models (e.g., Center of Excellence [COE], shared services).
1, 4, 5, 6	• Elements of the HR function (e.g., recruiting, talent management, compensation, benefits).
1, 3	• HR-function metrics (e.g., HR staff per fulltime employee, customer satisfaction, key performance indicators, balanced scorecard).
1	• HR staff roles, responsibilities and functions (e.g., generalists, specialists, HR business partners).
1, 13, 18	• Outsourcing of HR functions.

PROFICIENCY INDICATORS	
For All HR Professionals	For Advanced HR Professionals
• Adapts work style to fit the organization's HR service model (e.g., centralized vs. decentralized), to ensure timely and consistent delivery of services to stakeholders. • Seeks feedback from stakeholders to identify opportunities for HR function improvements. • Acts as HR point-of-service contact for key stakeholders within a division or group. • Provides consultation on HR issues to all levels of leadership and management. • Coordinates with other HR functions to ensure timely and consistent delivery of services to stakeholders. • Ensures that outsourced and/or automated HR functions are integrated with other HR activities. • Analyzes and interprets key performance indicators to understand the effectiveness of the HR function.	• Designs and implements the appropriate HR service model for the organization (e.g., centralized vs. decentralized), to ensure efficient and effective delivery of services to stakeholders. • Creates long-term goals that address feedback from stakeholders identifying opportunities for HR function improvements. • Ensures that all elements of the HR function (e.g., recruiting, talent management, compensation and benefits, learning and development) are aligned and integrated, and provide timely and consistent delivery of services to stakeholders. • Identifies opportunities to improve HR operations by outsourcing work or implementing technologies that automate HR functions (e.g., time, payroll). • Designs and oversees programs to collect, analyze and interpret key performance indicators (e.g., balanced scorecard) to evaluate the effectiveness of HR activities in supporting organizational success.

Functional Area #7: Organizational Effectiveness & Development

Definition: *Organizational Effectiveness & Development* concerns the overall structure and functionality of the organization, and involves measurement of long- and short-term effectiveness and growth of people and processes, and implementation of necessary organizational change initiatives.

ADDRESSED IN THIS BOOK IN CHAPTER(S):	KEY CONCEPTS:
6, 7	• Application of behavioral assessments (e.g., personality assessments).
8	• Intergroup dynamics (e.g., intergroup conflict).
8	• Intragroup dynamics (e.g., group formation, identity, cohesion, structure, influence on behavior).
4	• Organizational design structures and approaches (e.g., customer, functional, geographic, matrix, program).
1, 3	• Organizational performance theories, structures, and approaches.

PROFICIENCY INDICATORS	
For All HR Professionals	For Advanced HR Professionals
• Ensures that key documents and systems (e.g., job postings and descriptions, performance management systems) accurately reflect workforce activities. • Supports change initiatives to increase the effectiveness of HR systems and processes. • Identifies areas in the organization's structures, processes and procedures that need change. • Provides recommendations for eliminating barriers to organizational effectiveness and development. • Collects and analyzes data on the value of HR initiatives to the organization.	• Aligns HR's strategy and activities with the organization's mission, vision, values and strategy. • Regularly monitors results against performance standards and goals in support of the organization's strategy. • Establishes measurable goals and objectives to create a culture of accountability. • Consults on, plans and designs organizational structures that align with the effective delivery of activities in support of the organization's strategy. • Assesses organizational needs to identify critical competencies for operational effectiveness. • Designs and oversees change initiatives to increase the effectiveness of HR systems and processes. • Ensures that HR initiatives demonstrate measurable value to the organization.