

AFRICA CENTER FOR PROJECT MANAGEMENT

NAME: MURAA JACKLINE LORDEL MUSA

COURSE: POSTGRADUATE DIPLOMA IN HUMAN RESOURCES MANAGEMENT

ASIGNMENT: 9

1. What is the importance of human capital?

Human capital is an asset consisting of the knowledge and skills held by a person that can be used by an organization to advance its goals. **Human capital** is **important** because some level of **human** knowledge and skills is necessary in order for an organization to accomplish anything.

Dave is a human resource specialist for a smartphone company, and his job is to find and cultivate human capital. **Capital** is a type of asset that allows a business to make more money or otherwise further its goals. Examples of capital include plant, tools, and equipment. **Human capital** is the sum total of a person's knowledge and skills that the company can use to further its goals. For example, Dave's company needs people with knowledge and skills in engineering, computer software design, manufacturing, finance, law, accounting and management, just to name a few.

Human Capital is a measure of the skills, education, capacity and attributes of labour which influence their productive capacity and earning potential.

According to the OECD, human capital is defined as:

“the knowledge, skills, competencies and other attributes embodied in individuals or groups of individuals acquired during their life and used to produce goods, services or ideas in market circumstances”.

- Individual human capital – the skills and abilities of individual workers
- Human capital of the economy – The aggregate human capital of an economy, which will be determined by national educational standards.

For statistical purposes, human capital can be measured in monetary terms as the total potential future earnings of the working age population. (However, this only captures part of human capital and is a limited measure)

Different views on Human Capital

Theodore Schultz “Investment in human capital” (1961) was an early proponent of theory. He stated:

“Although it is obvious that people acquire useful skills and knowledge, it is not obvious that these skills and knowledge are a form of capital, that this capital is in substantial part a product of deliberate investment”

Gary Becker “Human Capital” (1964) In his view, human capital, is determined by education, training, medical treatment, and is effectively a means of production. Increased human capital explains the differential of income for graduates. Human capital is also important for influencing rates of economic growth.

Howard Gardener – different types of human capital. Gardener emphasised the different types of human capital. One could increase education, but be a poor manager. A successful entrepreneur may have no education. Human capital is not unidimensional.

Schultz/Nelson-Phelps – ability to adapt. Human capital should be looked at from the ability to adapt. Can workers adapt to a changing labour market? A labour market which is shifting from full-time manual work in manufacturing to flexible work in the service sector.

Spence View – Observable signs of human capital like education are essentially a signaling function.

All organizations require human capital to function and accomplish their goals. In this lesson, you'll learn what human capital is, its importance and the role that human resource management plays in it.

Importance of human capital

Employees. Individuals who spend maximum part of their day contributing towards the success of an organization are its most crucial resource. Employees can either make or break an organization, truly making them an organization's lifeline.

Human Capital Management is essential for hiring, managing, training and retaining talented and high performing employees.

Human Capital management plays an important role in the recruitment process. It ensures that human resource professionals hire individuals who really deserve to be in the organization. Recruiting the right talent is of utmost importance. An individual who is not fit for a particular role will not be able to contribute much in the long run.

Talent acquisition is one of the most crucial responsibilities of human resource professionals, often neglected in most organizations. **Do not hire someone just because you need to fill a vacant position or your superiors have asked you to do so. Analyze the background of an individual thoroughly.** Try to find out why someone really wants to join your organization? Remember money should not be the only criterion why someone wants to change and join a new organization. An individual who has been assigned the role of acquiring new talents should not forget to check an applicant's past experience, interests, professional qualification and reasons for changing previous job. If you really like someone, try to do some reference check as well. Do discuss with the applicant before calling up his previous organization or boss, else it might land him/her in trouble.

Human Capital management plays an important role in orienting a new employee to the system. Boring and meaningless induction programs lead to confusions and an employee eventually loses interest in the organization. Do not load someone with unnecessary information, the very first day he steps into the organization. Believe me, he will run away. Make him feel comfortable. Ask him/her not to bring lunch from home. Order lunch from outside and ask all his team members to have lunch together. Such small initiatives go a long way in breaking ice among team members.

It is essential for employees to upgrade their knowledge with time to cope up with the changing situations. Human Capital Management helps in training the employees and making them indispensable resource for the organization. Motivate employees to take up special courses or online programs which would help them in

their job. Employees who do not brush up on their skills from time to time find it difficult to survive in the long run. Inculcate the habit of reading. Internet is also one of the good options to keep oneself abreast with the latest developments.

Human Capital management plays an important role in increasing the efficiency of employees. Individuals are in a position to contribute more towards the system, eventually increasing the overall productivity of the organization.

Structural unemployment. Individuals whose human capital is inappropriate for modern employers may struggle to gain employment. A major issue in modern economies is that rapid deindustrialisation has left many manual workers, struggling to thrive in a very different labour market.

Quality of employment. In the modern economy, there is increasing divergence between low-skilled, low-paid temporary jobs (gig economy). High-skilled and creative workers have increased opportunities for self-employment or good employment contracts.

Economic growth and productivity. Long-term economic growth depends increasingly on improvements in human capital. Better educated, innovative and creative workforce can help increase labour productivity and economic growth.

Human capital flight. An era of globalisation and greater movement of workers has enabled skilled workers to move from low-income countries to higher income countries. This can have adverse effects for developing economies who lose their best human capital.

Limited raw materials. Economic growth in countries with limited natural resources, e.g. Japan, Taiwan and South East Asia. Rely on high-skilled, innovative workforce adding value to raw materials in the manufacturing process.

Sustainability "what we leave to future generations; whether we leave enough resources, of all kinds, to provide them with the opportunities at least as large as the ones we have had ourselves" (UN, 2012)

Increase Employee Satisfaction

Investing in professional development for your staff can lead to greater job satisfaction. According to a 2014 survey by the Society for Human Resource Management, 42 percent of employees said their organization's commitment to professional development is "very important to their job satisfaction."

Internal professional education for your staff shows them that your business cares about their careers. When your employees feel that their workplace cares about their development, they are more likely to be satisfied with their jobs.

Improve Retention Rates

Almost 54 percent of workers said that career advancement opportunities are more important than salary when looking for work. Additionally, 44 percent of employees cite a lack of opportunity for growth and advancement as a top source of work stress. These statistics show the importance of career growth to employees.

Workers who are receiving professional education and development are less likely to seek other employment opportunities. So, if an employee can advance within the company, he or she won't have to look for advancement opportunities outside of the company.

Opportunities to develop are especially important to millennials. A 2016 Deloitte survey found that 70 percent of millennials cite a lack of leadership development as the main reason for wanting to leave their current position.

It's estimated that it costs an average of six to nine months salary, to replace a salaried employee. A little investment in an employee development plan can save a lot in employee turnover.

Develop Employee Engagement

Increasing employee engagement is a priority for every business. Engaged employees are more productive for, and more loyal to, the company. According to a survey by Gallup, only 32 percent of workers feel engaged at work.

Investing in employee development can help to grow your employee engagement. Giving your staff career advancement opportunities, and investing in their development, gives them a reason to be engaged at work.

Ideally, each business should ask its workers what areas they want to develop, and then offer opportunities in those areas. Personalize your development opportunities to engage your employees the best.

Develop Client Engagement

As previously discussed, employees who are given growth opportunities are more likely to be satisfied with their job and engaged in the company. Employees are the face of every organization.

When customers interact with staff that is engaged and satisfied, they are more likely to have a positive experience. Every positive experience, in turn, increases customer engagement and satisfaction. The more satisfied your employees are, the more likely your clients are to be satisfied in return.

Improve ROI

Every company invests in human capital, whether it understands it or not. Your staffs' salary, benefits, and perks are all an investment in your firm's human capital.

Spending this money, but not paying a little more for employee development is like paying a significant amount of money for a Super Bowl commercial spot, but then refusing to spend money to make a quality commercial. That would be an awful investment for your company.

Don't throw this money out of the window. Your business has to spend money on developing its workers to maximize the return on your human capital investment. Improve your employees by offering opportunities for growth and learning; it will ultimately improve your bottom line.

Improved Organizational Communication

Human capital management allows for an enhanced flow of information throughout your company. Investing in your human capital can work to better communication by improving the quantity and quality of information passing up and down your business.

For example, the relationships forged through a mentorship program can lead to lines of communication between superiors and subordinates that never would have existed otherwise.

Human capital development works to improve every facet of employee performance, including communication. This process can help your company to discover employees who may be lacking communication skills and assist them in remedying this situation.

When communication improves, so does your business. Better communication leads to better employee satisfaction and engagement. This improvement, in turn, leads to enhanced overall performance and productivity.

Better Recruitment

Yes, human capital development helps you to retain your employees. But it also helps you to recruit prospects. The importance of human capital development in the recruiting process will only continue to grow as more millennials enter the workplace.

Earlier this year, Gallup found that the number one factor for millennials when applying for a job was opportunities to learn and grow. Millennials want to work for a business that invests in their human capital.

A company with a proven human capital plan already in place can demonstrate their commitment to employee development to millennial candidates.

Greater Company Culture

Another benefit of investing in your human capital is improving your organization's culture. Better employee satisfaction, engagement, and communication lead to an improved overall culture.

Employees want to learn, they want to develop their careers, and they want to enjoy going to the office every day. A positive culture leads to engaged and happy employees.

To conclude, **human capital management is important for:**

- Hiring the right talent
- Orienting him/her to the organization
- Making a new employee feel comfortable
- Training employees in order to constantly upgrade their skills
- Retaining employees
- Making employees self sufficient and prepare them for adverse conditions

Human Capital management helps in developing skills of employees which help them stand apart from the rest.

2. What are the human resource practices and sustainable competitive advantage?

Leading organizations are becoming more aware of compliance challenges, regulations in sustainability, and opportunities afforded by public interest in climate change, environmental issues, sustainability, and “green practices.” This creates a need for educated professionals to steer their organizations in the direction of sustainable practices that make sense for their business models and goals.

Competitiveness refers to a company’s ability to maintain and gain market share in its industry. Starbucks’ human resource management practices are helping support the company’s business strategy and provide services the customer values. The value of a product or service is determined by its quality and how closely the product fits customer needs. Competitiveness is related to company effectiveness, which is determined by whether the company satisfies the needs of stakeholders (groups affected by business practices). Important stakeholders include stockholders, who want a return on their investment; customers, who want a high-quality product or service; and employees, who desire interesting work and reasonable compensation for their services. The community, which wants the company to contribute to activities and projects and minimize pollution of the environment, is also an important stakeholder. Companies that do not meet stakeholders’ needs are unlikely to have a competitive advantage over other firms in their industry.

Human resource management (HRM) refers to the policies, practices, and systems that influence employees’ behavior, attitudes, and performance. Many companies refer to HRM as involving “people practices.” there are several important HRM practices. The strategy underlying these practices needs to be considered to maximize their influence on company performance. As the figure shows, HRM practices include analyzing and designing work, determining human resource needs (HR planning), attracting potential employees (recruiting), choosing employees (selection), teaching employees how to perform their jobs and preparing them for the future (training and development), rewarding employees (compensation), evaluating their performance (performance management), and creating a positive work environment (employee relations). The HRM practices discussed in this chapter’s opening highlighted how effective HRM practices support business goals and objectives. That is, effective HRM practices are strategic! Effective HRM has been shown to enhance company performance by contributing to employee and

customer satisfaction, innovation, productivity, and development of a favorable reputation in the firm's community.

Only recently have companies looked at HRM as a means to contribute to profitability, quality, and other business goals through enhancing and supporting business operations. Table 1.1 shows the responsibilities of human resource departments. The average ratio of HR department staff to total number of employees has been 1.0 for every 93 employees served by the department.

The median HR department expenditure per employee was \$1,409. Labor costs represent approximately 30 percent of company revenue. The HR department is solely responsible for outplacement, labor law compliance, record keeping, testing, unemployment compensation, and some aspects of benefits administration. The HR department is most likely to collaborate with other company functions on employment interviewing, performance management and discipline, and efforts to improve quality and productivity. Large companies are more likely than small ones to employ HR specialists, with benefits specialists being the most prevalent

Policies, practices, and systems that influence employees' behavior, attitudes, and performance.

Schultz believes that one of Starbucks' most serious problems is that its successes have left the company too cautious. Part of this is because he is seen as the soul of the company, which causes employees to consider "What will Howard think?" before making decisions. He creates passion but also creates anxiety. Schultz is trying to change his image and at the same time make Starbucks more innovative.

When one employee in a California store suggested that he could create better artwork than what was hanging on the walls, Schultz told him to put his pictures up saying, "Don't ask for permission, ask for forgiveness."

Sources: Based on G. Weber, "Preserving the Counter Culture,"

The Hyperion CEO wants his HR leaders to be able to question the CEO and executive team members and ensure the success of basic administrative functions, thus the HR team can elevate itself to a higher level of performance within the company culture and ensure that employees are able to perform at the highest level.

At Revlon, the expectation is that HR can think strategically and innovatively, plan and execute, and have a very strong connection to the business. The CEO of Air Products and Chemicals believes the HR function is critical for the long-term success of the

company because it can help get people excited about change, when most are by nature resistant to change. HR at SYSCO Corporation, the number one food service marketer and distributor in North America, is successfully delivering business partner services and serving as a strategic partner.

The senior vice president and chief administrative officer is responsible for ensuring that HR strategy is aligned with the business strategy. SYSCO tries to differentiate itself from competitors in the marketplace by providing value in its products and customer service to the customer. HR at SYSCO focuses on ensuring that five processes are in place. These processes stress a common understanding of the company's mission values and goals, establishment of clear expectations between employees and managers using the performance management process, operating within laws, ensuring that employees are inspired to come to work, and giving every employee the skills and technology needed to contribute to the company. HR, a strategic partner in all of the processes, works together with senior management to develop programs and guidelines to support the processes. It then markets them to line managers, who execute and customize the programs for their specific business.

To determine if these processes are working three key dimensions are measured: employee satisfaction, number of employees the company uses per 100,000 cases it sells, and employee retention data for each function in the company. Top executives meet four times each year to review the metrics to see if they are consistent with operating expenses and pretax earnings. For example, since the late 1990s SYSCO has moved the retention rate for its 10,000 marketing associates from 70 to 82 percent, resulting in more than \$70 million dollars saved per year.

HR professionals need to have the six competencies. These are the most recent competencies identified by the Human Resource Competency Study, which has identified HR competencies for more than 15 years. The competencies are shown as a three-tier pyramid with the Credible Activist Competency the most important for high performance as an HR professional and effective HR leader.

Demonstrating these competencies can help HR professionals show managers that they are capable of helping the HR function create value, contribute to the business strategy, and shape the company culture. They also help the HR department effectively and efficiently. Although great emphasis is placed on the strategic role of HR, effective execution of the operational executor competency—necessary administrative services filling open jobs, paying employees, benefits enrollment, keeping employee records, and completing legally required paperwork (such as W-2 forms and EEO reports)—is still important! As we discuss later in the chapter, technological advances have made available e-HRM and human resource

information systems, Human Resource Management: Gaining a Competitive Advantage which make administration of services more efficient and effective and free up time for HR to focus on strategic issues. Successful HR professionals must be able to share information, build relationships, and influence persons both inside and outside the company, including managers, employees, community members, schools, customers, vendors, and suppliers. Sometimes helping employees can also involve crisis management activities such as those HR professionals had to perform during and following Hurricane Katrina. The Avis executive vice president of human resources was responsible for making sure that employees in Katrina's path got to safety.

Six Competencies for the HR Profession

Cultural Steward Talent Manager/Organizational Designer Strategic Architect

- Facilitates change Recognize business trends and their impact on the business
Evidence-based HR Develop people strategies that contribute to the business
strategy Developing and valuing the culture Helping employees navigate the
culture (find meaning in their work, manage work/life balance, encourage
innovation) Business Ally
 - Understanding how the business makes money Understand language of business
Operational Executor Implementing workplace policies Advancing HR technology
Administer day-to-day work of managing people, Deliver results with integrity,
Share information Build trusting relationships, Influencing others,
providing candid observation, taking appropriate risks Credible Activist
 - Develop talent, Design reward systems, Shape the organization
- SOURCE: Based on R. Grossman, "New Competencies for HR," HR Magazine
evacuate their families as the storm approached. When employees called in
following the storm, they were asked if they needed housing, food, or medical care
or if they had missing relatives.

HR called emergency shelters to find missing employees and sent trucks with Avis signs throughout the stricken area trying to locate missing employees who had evacuated. Employees were paid their salaries even if they were unable to work, and copayments for medical care were waived.

The amount of time that the HRM function devotes to administrative tasks is decreasing, and its roles as a strategic business partner, change agent, and employee advocate are increasing.

HR managers face two important challenges: shifting their focus from current operations to strategies for the future and preparing non-HR managers to develop and implement human resource practices (recall the role of HR in Starbucks' success from the chapter-opening story). The role of HRM in administration is decreasing as technology is used for many administrative purposes, such as managing employee records and allowing employees to get information about and enroll in training, benefits, and other programs. Advances in technology such as the Internet have decreased the HRM role in maintaining records and providing self-service to employees.

Self-service

refers to giving employees online access to information about HR issues such as training, benefits, compensation, and contracts; enrolling online in programs and services; and completing online attitude surveys. For example, General Motors' (GM) goal for its e-HR investment was to create an employee-friendly one-stop shop for employees to enroll in benefits, review their HR data, and get certificates for employee car discounts.

The portal, known as "my Socrates," is the place employees go for information about GM. Managers use the system for performance reviews. HR uses it for communications of benefits, training programs, and other programs, which saves time as well as printing and distribution costs. Annual benefits enrollment used to take several days. Now it takes a few minutes. Outsourcing of the administrative role has also occurred.

Outsourcing refers to the practice of having another company (a vendor, third-party provider, or consultant) provide services. One study suggests that 80 percent of companies now outsource at least one HR activity.

The HR responsibilities most likely to be outsourced completely include employee assistance and counseling, flexible spending account administration, and background and criminal background checks. Outsource providers such as ADP, Accenture HR Services, Convergys, and Hewitt provide payroll services as well as recruiting, training, record managements, and expatriation. The primary reasons for outsourcing are to save money and spend more time on strategic business

issues. One study suggests that 91 percent of U.S. companies have taken steps to standardize their HR processes to prepare for outsourcing.

Examples of strategic business issues that HR might help address include identifying new business opportunities; assessing possible merger, acquisition, or divestiture strategies; or working on recruiting and developing talent.

As a result, HR functions related to these areas such as employee development, performance management, communications plans and strategies, policy development and implementation and organizational development are outsourced least frequently. For example, outsourcing payroll and benefits administration is saving the American Stock Exchange in New York \$2.8 million per year. When the Canadian Imperial Bank of Commerce contracted with Electronic Data Systems (EDS) Corporation to take over payroll, benefits administration, and other HR processing for the Toronto-based bank, the bank had 30 incompatible HR systems and had not invested in e-HRM (use of the Web for HR operations). EDS revised the bank's payroll, benefits, executive compensation, and human resources information technology systems, and it created my .HR, a Web portal used by managers and employees. Use of EDS has not required any additional costs over the bank's yearly HR budget. When the bank outsourced payroll it cut 200 jobs from its centralized HR staff, leaving the remaining HR staff to focus on strategic issues such as recruiting, training, and union contract negotiations. The centralized staff members moved over to EDS. Cardinal Health, a provider of health care products, services, and technology, headquartered in Dublin, Ohio, signed a contract with Excellerate HRO to provide administrative functions.

The goal of the outsourcing was to increase the contribution of human resources to strategy and increase the company's global human resource capabilities. Human resource professionals remaining at Cardinal will work in strategic areas such as talent management, organizational effectiveness, and total rewards. In addition, human resource "business partners" placed across the company will focus on strategic activities while establishing new HR operations in the field. Although the outsourcing of HR is expected to grow, many contracts have ended because of lack of understanding of the outsourcing provider's capabilities, failure to reach goals such as anticipated cost reductions, and poor delivery of services.

A key aspect of any outsourcing decision is an understanding of the company's vision for HR and an assessment of the costs of performing HR functions within the company compared with the potential savings through outsourcing. Traditionally, the HRM department (also known as "Personnel" or "Employee Relations") was primarily an

administrative expert and employee advocate. The department took care of employee problems, made sure employees were paid correctly, administered labor contracts, and avoided legal problems. The HRM department ensured that employee-related issues did not interfere with the manufacturing or sales of products or services. Human resource management was primarily reactive; that is, human resource issues were a concern only if they directly affected the business. Although that still remains the case in many companies that have yet to recognize the competitive value of human resource management, other companies believe that HRM is important for business success and therefore have expanded the role of HRM as a change agent and strategic partner. Other roles such as practice development and strategic business partnering have increased. One of the most comprehensive studies ever conducted regarding HRM concluded that “human resources is being transformed from a specialized, stand-alone function to a broad corporate competency in which human resources and line managers build partnerships to gain competitive advantage and achieve over-all business goals.”

HR managers are increasingly included on high-level committees that are shaping the strategic direction of the company. These managers’ report directly to the CEO, president, or board of directors and propose solutions to business problems. Consider the role of HR at Google and FedEx Corporation.

The Google vice president of HR is part of the company’s 13-member management group. He reports to the CEO and works with the rest of the executives to help them achieve their objectives. The HR function is organized around three principles: the HR function wants to (1) be as innovative as the product side of the business, (2) minimize the infrastructure needed to keep the business running by emphasizing that managers and employees should work together rather than sending employees to HR, and (3) anticipate business needs and be prepared with a plan to meet those needs. The corporate vice president for human resources at FedEx keeps HR focused on business objectives by setting HR objectives based on those set by the CEO. She oversees different task forces on HR issues to ensure that the operating companies are involved and that HR objectives are consistent across the company. She sits on the nine-member strategic management committee, which includes the CEO, the CEOs from the operating companies, the chief financial officer, and the head of marketing and communications. Also, she manages leadership development for the top 400 positions in the company and oversees a program for high-performing vice presidents that helps them develop a cross-functional perspective of the company. In the program, vice presidents learn about differences in the companies operating units and complete an international assignment in China to increase their

understanding of different political environments. The FedEx HR function includes a team at each of four operating companies plus a corporate headquarters team that develops strategy and disseminates it to the operating units. As part of its strategic role, one of the key contributions that HR can make is to engage in evidence-based HR.

Evidence-based HR

refers to demonstrating that human resources practices have a positive influence on the company's bottom line or key stakeholders (employees, customers, community, shareholders). This helps show that the money invested in HR programs is justified and that HR is contributing to the company's goals and objectives. Evidence-based HR requires collecting data on such metrics as productivity, turnover, accidents, employee attitudes and medical costs and showing their relationship with HR practices. This provides evidence that HR is as important to the business as finance, accounting, and marketing! HR decisions should be made on the basis of data and not just intuition. The chapter opener showed how Starbucks is using turnover and employee satisfaction data as metrics or indicators of the success of its HR programs. Throughout each chapter of the book, we provide examples of evidence-based HR. Table 1.2 provides several questions that managers can use to determine if HRM is playing a strategic role in the business. If these questions have not been considered, it is highly unlikely that (1) the company is prepared to deal with competitive challenges or (2) human resources are being used to help a company gain a competitive Evidence-Based HR.

Demonstrating that human resource practices have a positive influence on the company's bottom line or key stakeholders (employees, customers, community, shareholders).

credibility as a business leader, which means being able to understand finance and build a business case for HR activities. Professional certification in HRM is less common than membership in professional associations. A well-rounded educational background will likely serve a person well in an HRM position. As one HR professional noted, "One of the biggest misconceptions is that it is all warm and fuzzy communications with the workers. Or that it is creative and involved in making a more congenial atmosphere for people at work. Actually it is both of those some of the time, but most of the time it is a big mountain of paperwork which calls on a myriad of skills besides the 'people' type. It is law, accounting, philosophy, and logic as well as psychology, spirituality, tolerance, and humility."

Many top-level managers and HR professionals believe that the best way to develop the future effective professionals needed in HR is to take employees with a business point of view and train them. For example, United Parcel Services (UPS)

wants its leaders to move up in the company with lifelong careers in many different functions.

The senior vice president for human resources at UPS started out loading trucks and became a delivery truck driver and delivery supervisor before he moved to several HR positions. He then joined the legal department and served as general counsel before he took the top HR position at UPS. At companies like General Electric, Citigroup, and Baxter Health Care, training programs are used to develop HR professionals' skills. Also, HR professionals often rotate through job assignments in non-HR functions to help them learn about the business and become more strategic business partners.

For example, just several years ago for the first time in company history at General Motors, an HR person reported directly to the company CEO.

Many of the transactional activities are being outsourced or performed with the use of technology. GM is trying to develop HR people so that they can take on the role of internal consultants. The company has a global HR curriculum that helps HR employees understand what the goals of HR are, what the changes in HR at GM mean to them, and what the plans are for the HR function. The courses focus on helping HR employees gain business knowledge such as finance, change management skills, and the ability to develop relationships across the company. GM hopes that in the near future HR employees will be able to work with business units to diagnose problems.

At the same time HR employees are being trained, top HR managers are working with line managers to help them understand that HR is available to help them with strategy, not transactional work. Line managers are now taking responsibility for some HR activities. For example, GM recently introduced a new compensation plan for employees that was implemented by line managers without any help from HR. The primary professional organization for HRM is the Society for Human Resource Management (SHRM). SHRM is the world's largest human resource management association with more than 210,000 professional and student members throughout the world. SHRM provides education and information services, conferences and seminars, government and media representation, and online services and publications (such as HR Magazine).

Three competitive challenges that companies now face will increase the importance of human resource management practices: the challenge of sustainability, the global challenge, the technology challenge.

Company success is based on how well the company meets the needs of its stakeholders.

Stakeholders refers to shareholders, the community, customers, employees, and all of the other parties that have an interest in seeing that the company succeeds.

Sustainability includes the ability to deal with economic and social changes, practice environmental responsibility, engage in responsible and ethical business practices, provide high-quality products and services, and put in place methods to determine if the company is meeting stakeholders' needs. Several changes in the economy have important implications for human resource management. These include the changing structure of the economy, the development of e-business, and more growth in professional and service occupations. Growth in these occupations means that skill demand for jobs have changed, with knowledge becoming more valuable. Not only have skill demands changed, but remaining competitive in a global economy requires demanding work hours and changes in traditional employment patterns. The creation of new jobs, aging employees leaving the workforce, slow population growth, and a lack of employees who have the skills needed to perform the jobs in greatest demand means that demand for employees will exceed

Sustainability

The ability of a company to survive in a dynamic competitive environment. Based on an approach to organizational decision making that considers company's ability to make a profit without sacrificing the resources of its employees, the community, or the environment. Competing through Sustainability Competing through Globalization U.S. Business Competitiveness Competing through Technology

- Provide a return to shareholders Provide high-quality products, services, and work experience for employees Increased value placed on intangible assets and human capital Social and environmental responsibility Adapt to changing characteristics and expectations of the labor force Legal and ethical issues Effectively use new work arrangements Expand into foreign markets Prepare employees to work in foreign locations Change employees' and managers' work roles Create high-performance work systems through integrating technology and social systems Development of e-commerce and e-HRM

Employees are delaying retirement, and newly retired employees are returning to work out of necessity because of loss of value of their retirement assets (on March 5, 2009, the Dow Jones Industrial Average closed at its lowest point since April 1977). One estimate is that companies plan to cut their training budget more than 10 percent in response to the economic crises.

Morale and team-building activities were the most likely targets for budget cuts, followed by professional development, all-staff training, and recruitment.

Despite the budget cuts, many HR departments are helping companies adapt to the poor economic times and prepare them to be well-positioned when business conditions improve. For example, Capital One asks its managers to determine current workloads and staffing needs.

HR projects changes in the workforce based on this information. This has allowed Capital One to forecast labor needs with more precision, helping the company to avoid hiring new employees only to have to lay them off. Nucor Corporation implemented a “Share the Pain” program. The program helps Nucor reduce labor costs without reducing productivity by using reduced hours or wages. Isis Pharmaceuticals capitalizes on downturns to recruit and hire top scientific talent at bargain salaries. Xilinx Inc. responded to the economic downturn with salary reductions, mandatory vacations, and a sabbatical program that paid employees a small salary if they went to school or worked for nonprofits. The strategy saved more than \$35 million in labor costs. Both Philips Electronics and Estee Lauder are continuing their talent management efforts.

Philips Electronics is cutting its training budget but will continue to offer its Inspire program for high-potential employees, emphasizing business strategy and personal leadership topics. Philips believes that investing in leadership development will help the company weather the recession and prepare for economic recovery. Estee Lauder Companies, the cosmetic maker, realized lower profit and sales, resulting in elimination of more than 2,000 jobs over the next two years. But Lauder is continuing its leadership development programs, which will emphasize innovation and managing change in turbulent business conditions. The affects of the recession are also worsened by rising health care costs and the economic implications of increasing retiree benefit costs.

Companies are under pressure to increase employee productivity to alleviate higher costs such as health care. To control costs, companies have cut employee and retiree health care benefits and pension contributions, increased the employee

contribution to pay for these benefits, and even hired and fired employees based on their smoking habits! For example, Scott's Miracle-Gro Company, the lawn care company, banned smoking and encourages employees to complete a health-risk assessment designed to identify employees who are at risk for heart, cancer, and other diseases.

Employees at risk are assigned a health coach, who draws up an action plan that may include recommendations such as exercise or change of diet. Employees who refuse the health assessment pay \$40 per month more in health care premiums; at-risk employees who refuse to work with a health coach pay an additional \$67 per month. We discuss what companies are doing to offset health care and pension costs in Chapter 13, Employee Benefits. HR programs and the HR function are under pressure to relate to the business strategy and show a return on investment. Customer focus needs to be included in all HRM practices. New technology combined with economic uncertainty will mean that administrative and transactional HR activities will be delivered via technology, creating less need for HR professionals to provide these activities. The aging workforce combined with reduced immigration because of security concerns may lead employers to focus more on retraining employees or encouraging older, skilled workers to delay retirement or work part-time.

Employment and Occupational Growth Projections and Skill Requirements.

The competition for labor is affected by the growth and decline of industries, jobs, and occupations. Competition for labor is also influenced by the number and skills of persons available for full-time work. The labor force is projected to increase 13 million to 166.2 million in 2016. Most growth is expected within service-providing industries in which employment is projected to increase 15.8 million, rising to 130.2 million by 2016.

Employment in services is expected to account for 86 percent of all jobs. Examples of service-providing industries include educational services, health care, leisure and hospitality, transportation, government, utilities, and wholesale and retail trade. Jobs in goods-producing industries including mining, construction, and manufacturing, are projected to decrease, falling to 21.8 million in 2016. Table 1.5 shows examples of the projected fastest growing occupations between 2006 and 2016. Professional and related occupations and the services occupational group are expected to add the most jobs and have the fastest growth rate between 2006 and 2016.

Health care practitioners and technical occupations are projected to add the most jobs (1.4 million), and computer and mathematical occupations are expected to grow the fastest (24.8 percent growth rate). In the services occupation group, by 2016 food preparation and related services are expected to generate the most new jobs, and health care support is expected to grow the fastest (27 percent).

3. Explain the concept of personal management?

Personnel management can be defined as obtaining, using and maintaining a satisfied workforce. It is a significant part of management concerned with employees at work and with their relationship within the organization.

According to Flippo, “Personnel management is the planning, organizing, compensation, integration and maintenance of people for the purpose of contributing to organizational, individual and societal goals.”

According to Brech, “Personnel Management is that part which is primarily concerned with human resource of organization.”

It includes (1) conducting job analyses, (2) planning **personnel** needs, and recruitment, (3) selecting the right people for the job, (4) orienting and training, (5) determining and **managing** wages and salaries, (6) providing benefits and incentives, (7) appraising performance, (8) resolving disputes, (9) communicating

(i) Planning:

Planning means determination of personnel programme in advance.

(ii) Organising:

Organising means establishing an organisation by designing the structure of relationships among job, personnel and other physical factors to attain the company objectives.

(iii) Directing:

Directing means guiding the people to do the work effectively.

(iv) Controlling:

Controlling means regulating the activities in accordance with the plan.

(v) Procurement:

Procurement of labour means obtaining the proper kind of personnel in required quantity to achieve company goals.

(vi) Development

Development of labour means increasing the skill of employees through training.

(vii) Maintenance:

Maintenance means improving the conditions (e.g., health, safety, welfare etc.) and sustaining them.

Traditionally, personnel management system is concerned primarily with the five basic sub-systems, namely recruiting, placement training, compensation (pay, fringe benefits etc.) and maintenance.

The functions of PM may be grouped under the following broad headings:

1. Job analysis
2. Job evaluation
3. Staffing
4. Staff recruitment, selection and

training

5. Testing

6. Condition of service

1. **Job analysis:** The first and foremost function of personnel management is the job analysis. It is a process of obtaining pertinent information about the nature (operations and responsibilities) of a specific job through observation, questionnaire and diary methods.

According to Robinson, “Job analysis finds out what is to be done and determines the best methods of doing it and the qualifications required of a worker to be able to do the job satisfactorily”. The purpose of job analysis is to determine the abilities, skills, knowledge and kind of experience required for carrying out the job.

2. **Job evaluation:** Job evaluation means job- rating. This process may imply the following essential steps:

- Determination of requisite elements or factors involved in all jobs carrying monetary remuneration.
- Using these elements and factors for comparing one job with another.
- Knowing the relative value of each job.
- Fixing the money value of each job.

3. **Staffing:** Staffing means putting a right person at the right job. This is a vital function of personnel management. Actual requirement is preceded by job analysis, job description, job specification, class analysis, fixing the number of each kind of job, its qualification and salary scale.

4. **Staff recruitment, selection and training:** The recruitment policy of a library is planned considering the nature of its services. The recruitment of the library staff should be made by certain tests like aptitude test, personality test, interest test, intelligent test. The tests are helpful and necessary in assigning the right job to the right person. The selection and appointment of library staff should be done very carefully because much of the success of the library staff member on the job depends upon skill personnel administration.

Training imparted –

- apprentice system
- in-service training

5. **Testing:** A person is appointed to perform a particular job efficient before his formal appointment, it is essential to know about him intimately as to whether is capable of performing the job to be assign to him. It may not be physically possible in every case. Some tests like aptitude tests, trade tests, interest tests etc. may be applied for observing the candidates sample behavior.

6. **Conditions of service:** Service condition is an important ingredient of personnel management. It includes such matters as hours of work, service regulations, study leave, health service, retirement and resignation policies and procedures, policy relations to educational and welfare facilities, pension, etc.

Measures for improving the efficiency of staff;

The measures for improving the efficiency of staff are given below:

1. **Staff orientation:** It is necessary to provide the new staff member with specific information and guidance with respect to the organization, resources, services and facilities of the library in which they serve. It means introducing a new worker to

with his job and new environment. It may involve tours of the library, lectures by department heads, systematic study of the staff manual and other publications of the library. By this way the efficiency of staff may be improved.

2. **Staff manual:** Staff manuals are common administrative devices in libraries. These manuals usually provide a description of the library in action. This may provide:

- a) Detailed descriptions of workers, methods, practices in all library departments.
- b) Description of administrative policy and regulations relating to appointments, salaries, working hours, etc.
- c) Description of library policies relating to acquisitions, circulation, lending etc.

3. **Staff meeting:** Staff meeting is a good device for establishing and maintaining good communication between librarian and his staff and among the staff members. It is useful for informing the staff along new important library policies and programs, discussing problems of library, affording opportunities for the staff to listen to lectures by visiting librarians and share their feelings and experience.

4. **Staff bulletins:** Staff bulletins also help to increase the efficiency of the staff members. Staff bulletin should be carefully edited and presented in attractive format. The bulletin should also be used to focus the activities of the staff on integrated policies.

5. **In service training:** In service training plays a vital role in respect to improvement of efficiency to the staff. It also helps to attain the efficiency of the staff by providing some training respective to the job. It is most effective for the new staff to introduce with the job and for their self- development.

6. **Professional and scholarly writing:** Writing and translating that is directly related to the interests and needs of the library profession should be strongly encouraged especially in countries where there is scarcity of professional publication in the indigenous language.

Nature of Personnel Management

1. Personnel management includes the function of employment, development and compensation- These functions are performed primarily by the personnel management in consultation with other departments.
2. Personnel management is an extension to general management. It is concerned with promoting and stimulating competent work force to make their fullest contribution to the concern.
3. Personnel management exist to advice and assist the line managers in personnel matters. Therefore, personnel department is a staff department of an organization.
4. Personnel management lays emphasize on action rather than making lengthy schedules, plans, work methods. The problems and grievances of people at work can be solved more effectively through rationale personnel policies.
5. It is based on human orientation. It tries to help the workers to develop their potential fully to the concern.
6. It also motivates the employees through it's effective incentive plans so that the employees provide fullest co-operation.
7. Personnel management deals with human resources of a concern. In context to human resources, it manages both individual as well as blue- collar workers.

Role of Personnel Manager

Personnel manager is the head of personnel department. He performs both managerial and operative functions of management. His role can be summarized as :

1. Personnel manager **provides assistance** to top management- The top management are the people who decide and frame the primary policies of the concern. All kinds of policies related to personnel or workforce can be framed out effectively by the personnel manager.
2. He **advices the line manager** as a staff specialist- Personnel manager acts like a staff advisor and assists the line managers in dealing with various personnel matters.
3. As a **counsellor**, - As a counsellor, personnel manager attends problems and grievances of employees and guides them. He tries to solve them in best of his capacity.
4. Personnel manager acts as a **mediator**- He is a linking pin between management and workers.

5. He acts as a **spokesman**- Since he is in direct contact with the employees, he is required to act as representative of organization in committees appointed by government. He represents company in training programmes.

4. **What are the principles of personnel management?**

Human resources has often been seen by entrepreneurs, managers and founders as something you need but doesn't have a direct impact on the growth of a business.

HR is commonly regarded as necessary for hiring, firing and all the paperwork in between but it is not really seen as an important area like sales for instance, which is seen as requiring great focus and resources.

In reality, though the HR department and human resources as a practice is indeed, it is now one of the most critical aspect of any business. Why? Because for you to survive and grow your business ahead of competitors you need to find, retain and motivate the best employees.

With this in mind, below you will find four fundamental principles of HR to help you get your most crucial department functioning as best it can.

General principles management are characterized by the fact that they are universal in nature and are taken into account in all spheres of management and organizations.

Hire slowly

One of the biggest mistakes any business makes is to hire new employees too quickly, often leading to a company not employing the best talent available. It is usually the case as managers are too quick to make decisions on hiring and view it as a secondary task.

The results of this are disastrous as the business in many cases will go through the expense of hiring, training and losing/firing an employee because the wrong candidate was hired. Companies like Google and Facebook pride themselves of how long they spend on recruitment and how in many cases they've rejected candidates competitors would later accept. They often carry out up to 9 interviews to find the right candidate to employ. So, remember to hire slowly and avoid the costly headaches of hiring the wrong candidate and gain the extreme benefits of hiring the right candidate.

Use technology

As we move into an era of unprecedented technological change, businesses have been slow to adopt technology in the HR space, despite its abundance. You can now get paid and free HR software that can quickly make the processes of recruiting, managing and motivating employees much faster and more successful.

With providers including companies like peoplehr.com that offer a range of solutions you can make your HR department work more efficiently.

Make everyone accountable

One of the most dangerous things a business can do is create a culture where no one is accountable; this can lead to costly mistakes and an overall loss of standards and quality across your business' products or services.

To avoid this disastrous situation from the start, you need to create a culture where everyone is responsible individually and as a team. You can start to do this by being clear from the start on your expectations of new employees and what they can expect from you. You can continue to build this culture by giving employees more responsibility and rewarding those who choose to take on more responsibility, even those who make honest mistakes in the process.

Encourage innovation

3M is one the largest manufacturing companies the world, they're most famous for their post notes, what you probably didn't know is that the post note was invented by an industrial employee. The point is that innovation often comes from within your company and that a new product, service or process will most likely come from your employees if you create a culture of innovation.

The principle of purposeful management implies a clear setting and ranking of goals for each enterprise and its subdivision. At the same time, the main goal, determined by the mission of the company, is singled out (the mission of the organization is the main goal and the main reason for its existence), and the goals are the means necessary to achieve it. The management objectives should be "loaded", but real, achievable. They should be determined very specifically, which gives the work common sense and mobilizes the efforts of staff to implement it.

The principle of purposefulness presupposes not only setting goals, but also relating them to the necessary resources. At the same time, it is important not only

to link the goals with the main resources needed to achieve them, but also to focus on the weakest link that can hinder the achievement of goals.

The principle of the division of labor in relation to management involves the allocation of levels of management and the specialization of individual employees in the performance of the relevant functions. So, at the industrial enterprise it is possible to allocate the following levels of management: the level of the master, the level of the chief of the site, the level of the shop manager, the level of the director. Each of them solves its problems, which makes it possible to make managerial work more efficient. For example, the master is freed from tasks solved by the director of the enterprise, and the director is freed from solving tasks at the master level.

The principle of responsibility provides punishment for members of the organization for failure to perform the functions or tasks assigned to them. At the same time, responsibility should correspond to the authority, and the penalty should increase as the powers increase. Unfortunately, this principle is not always realized in the practice of management (especially at higher hierarchical levels). This leads to rash decisions, abuse of power and incompetent management, and all this eventually leads to the death of organizations.

The principle of competence means knowledge of the management object by the manager, or at least his ability to perceive competent expert advice in decision-making. The principle of competence is related to the horizontal division of labor according to functions.

Increasing popularity of trading activity in modern conditions and increasing the number of persons who do not have special training, but actually engaged in trade, as well as frequent cases of realization of inferior goods to the population, highlight the problem of licensing of trade activities and special training of those receiving licenses, in order to ensure the necessary competence.

An inalienable management principle - ***discipline*** - should be present in any management system at any level. Discipline presupposes unconditional fulfillment of instructions of the leader, job duties, instructions, orders and other directive documents. The level of discipline largely determines the culture of management. With regard to, for example, trade, the role of this principle is particularly great, since the specifics of the industry cause increased requirements not only to the level of the performance discipline, but also to financial discipline in commercial activities and to the self-discipline of all staff from manager to vendor. At the same

time, discipline should not restrict the initiative of employees and leave room for creative attitude to work.

The incentive principle assumes, first of all, the motivation of work activity based on the use of material and moral incentives. Material incentives are based on the personal economic interest of employees in the results of work, the moral incentive is based mainly on the psychological effect on workers. As motivation motives, various spiritual needs of workers can be here: needs for belonging, involvement, success, etc.

Therefore, the content of the incentive principle would be wrong to reduce only to pay, as it often happens in practice. Stimulation also involves the use of both moral incentives and motivations, as well as a fair attitude to the staff.

The hierarchy principle provides for vertical division of managerial work, i.e. the allocation of control levels and the subordination of lower levels of higher governance. This principle is taken into account in the formation of organizational management structures, the construction of the management apparatus, the placement of personnel.

Recruitment to retirement.

HR is all about dealing with employees from recruitment to retirement. It includes manpower planning, selection, training and development, placement, wage and salary administration, promotion, transfer, separation, performance appraisal, grievance handling, welfare administration, job evaluation and merit rating, and exit interview. Precisely, it deals with planning, organizing, staffing, directing, and controlling of people.

People (men) behind the machine count.

Previously, it was the machine behind the man that counted. Today, people are the real power to drive organizations forward. Machines only assist people. Ultimately, the machine is servant to men, not the other way around.

Hire for attitude, recruit for skills.

Attitude is the key to employee engagement and success. Hence, HR leaders must emphasize attitude rather than experience. It is better to hire a new job seeker with

high attitude and no experience than one with a rotten attitude and years of experience. If employees possess a good attitude, they will have the ability absorb the knowledge, skills, and abilities that are essential to perform their tasks effectively in the workplace.

Appreciate attitude but respect intelligence.

It is true that both attitude and intelligence are essential to improve the organizational bottom line. If HR leaders find it is tough to get both, they should choose attitude over intelligence as it helps accomplish organizational goals and objectives

Hire slow, fire fast.

HR leaders must be slow in hiring the right talent for their organizations. They must look for the right mindset, skill set, and tool set in job seekers during recruitment. If they find that bad apples entered into their basket, they must be removed quickly to contain further damage to their organizations.

Shed complexity, wed simplicity.

People today prefer to work in flat organizations rather than tall ones. Tall organizations often have hierarchies with a bureaucratic mindset that doesn't work in the present context. Gen Yers are happy to work with partners rather than with bosses. So shed complexity and wed simplicity to achieve organizational excellence and effectiveness.

HR leaders are king and queen makers.

Presently, there is an impression globally that HR leaders are king and queen makers. They cannot become kings and queens. They are perceived as people who become ladders for others to climb to higher positions. It is due to the roles and responsibilities they undertake. HR leaders are masters of their trades, not jacks of other trades. They know everything about HR, but they don't necessarily know much about other aspects in the organization. CEOs are masters in their own domains and jacks of other domains. They are masters in their areas and know something about others areas. Thus, HR leaders must acquire knowledge about other areas and acquire technical and business acumen to become kings and queens—the chief executives.

To serve is to lead and live.

Mahatma Gandhi once remarked, “The best way to find yourself is to lose yourself in the service of others.” HR leaders must serve people with pleasure without any pressure. They must become torchbearers of human capital and knowledge. They must learn, unlearn, and relearn to stay relevant.

To start creating this culture, you will want to have an open door policy of ideas, encourage employees to develop and test their solutions, and provide resources to back those who come up with innovative projects.

5.What is the importance of incentives in a work environment?

Incentive is an act or promise for greater action. It is also called as a stimulus to greater action. Incentives are something which are given in addition to wages. It means additional remuneration or benefit to an employee in recognition of achievement or better work. Incentives provide a spur or zeal in the employees for better performance. It is a natural thing that nobody acts without a purpose behind. Therefore, a hope for a reward is a powerful incentive to motivate employees. Besides monetary incentive, there are some other stimuli which can drive a person to better. This will include job satisfaction, job security, job promotion, and pride for accomplishment. Therefore, incentives really can sometimes work to accomplish the goals of a concern. The need of incentives can be many:-

1. To increase productivity,
2. To drive or arouse a stimulus work,
3. To enhance commitment in work performance,
4. To psychologically satisfy a person which leads to job satisfaction,
5. To shape the behavior or outlook of subordinate towards work,
6. To inculcate zeal and enthusiasm towards work,
7. To get the maximum of their capabilities so that they are exploited and utilized maximally.

Therefore, management has to offer the following two categories of incentives to motivate employees:

1. **Monetary incentives-** Those incentives which satisfy the subordinates by providing them rewards in terms of rupees. Money has been recognized as a chief source of satisfying the needs of people. Money is also helpful to satisfy the social needs by possessing various material items. Therefore, money not only satisfies psychological needs but also the security and social needs. Therefore, in many factories, various wage plans and bonus schemes are introduced to motivate and stimulate the people to work.
2. **Non-monetary incentives-** Besides the monetary incentives, there are certain non-financial incentives which can satisfy the ego and self-actualization needs of employees. The incentives which cannot be measured in terms of money are under the category of “Non- monetary incentives”. Whenever a manager has to satisfy the psychological needs of the

subordinates, he makes use of non-financial incentives. Non- financial incentives can be of the following types:-

- a. **Security of service-** Job security is an incentive which provides great motivation to employees. If his job is secured, he will put maximum efforts to achieve the objectives of the enterprise. This also helps since he is very far off from mental tension and he can give his best to the enterprise.
- b. **Praise or recognition-** The praise or recognition is another non-financial incentive which satisfies the ego needs of the employees. Sometimes praise becomes more effective than any other incentive. The employees will respond more to praise and try to give the best of their abilities to a concern.
- c. **Suggestion scheme-** The organization should look forward to taking suggestions and inviting suggestion schemes from the subordinates. This inculcates a spirit of participation in the employees. This can be done by publishing various articles written by employees to improve the work environment which can be published in various magazines of the company. This also is helpful to motivate the employees to feel important and they can also be in search for innovative methods which can be applied for better work methods. This ultimately helps in growing a concern and adapting new methods of operations.
- d. **Job enrichment-** Job enrichment is another non- monetary incentive in which the job of a worker can be enriched. This can be done by increasing his responsibilities, giving him an important designation, increasing the content and nature of the work. This way efficient worker can get challenging jobs in which they can prove their worth. This also helps in the greatest motivation of the efficient employees.
- e. **Promotion opportunities-** Promotion is an effective tool to increase the spirit to work in a concern. If the employees are provided opportunities for the advancement and growth, they feel satisfied and contented and they become more committed to the organization.

The above non-financial tools can be framed effectively by giving due concentration to the role of employees. A combination of financial and non-financial incentives help together in bringing motivation and zeal to work in a concern.

3. Positive Incentives

Positive incentives are those incentives which provide a positive assurance for fulfilling the needs and wants. Positive incentives generally have an optimistic attitude behind and they are generally given to satisfy the psychological requirements of employees. For example-promotion, praise, recognition, perks and allowances, etc. It is positive by nature.

4. Negative Incentives

Negative incentives are those whose purpose is to correct the mistakes or defaults of employees. The purpose is to rectify mistakes in order to get effective results. Negative incentive is generally resorted to when positive incentive does not work and a psychological set back has to be given to employees. It is negative by nature. For example- demotion, transfer, fines, penalties.

Entrepreneurs and business owners are constantly dealing with two big staffing issues: attracting top talent and retaining it. We all want a capable, well-rounded staff for our companies. No matter how specialized the role you're hiring for, versatility still usually tops the list of qualifications. It's also something employees themselves tend to value: if you don't give your staff a variety of new challenges, they won't grow professionally and may begin looking elsewhere. In order to push employees to do their best in every part of their job, organizations need to be proactive—creating opportunities for their team members to excel, and rewarding them for when they do. Here are five methods to keep employees motivated to do their best work.

Offer an “Idea Bounty”

Employees love bonuses, which can come in many forms. Hannah Witten of GoFanbase recently told me about a great way to encourage discussion and give all team members an equal opportunity to contribute. Employees propose a fully fleshed out idea (with processes) that would help improve the business, Witten says. “Their fellow coworkers then vote on the concept. Once an idea is voted in, the founder approves it. Once implemented, the employee receives a \$20 “idea bounty.”

To build this program into your company's culture, you could create healthy competition by tracking how many “idea bounties” are awarded to a single employee within a certain period of time.

Switch Up The Work Day

Not everyone thrives in a nine-to-five environment. For hourly workers, try replacing the structured work day with an agenda of tasks to accomplish within a set window, then leave it to employees to figure out how best to accomplish them.

Try replacing the structured work day with an agenda of tasks to accomplish within a set window.

“I give my crews benchmarks to work towards instead of them punching the clock and working from 7 a.m. to 5 p.m. regardless of what they get done,” Collin Hanks of Hanks Construction, LLC tells me. “The benchmarks let them know that if they work hard and get stuff done faster, they can go home early and are still paid as if they worked till 5 p.m.”

Employees tend to work better when they feel a sense of accomplishment, and untimed daily to-do lists can help boost their efficiency as well as morale.

Blow Off Steam On-Site

While I was in school, I worked at a law firm that had a gym inside the building and offered free yoga classes. It was great! Plenty of companies now offer on-site yoga, but you can go further than that. Why not try teaching your employees some fun dance moves?

“Our team likes to keep fit [and] dance . . . so we hired a Beyoncé dance instructor to teach her moves in our office while projecting 20-foot-tall YouTube clips on the wall,” Will Nathan of HomePolish tells me. “In addition to bringing the team together, it’s come to embody our core value of ‘keeping it fun’ and helps potential recruits get a taste for our culture.”

Bringing extracurricular activities into the workplace helps break up the monotony and can create some really unique team-building opportunities.

Encourage Creative Time Off

Inspire your employees to try out some unique twists on using their paid time off. Dan Novaes of Nativ is an advocate of the unlimited vacation policies that are gaining steam in some quarters. He recently spoke to me about the creative freedom the approach encourages: “Our company offers unlimited paid time off

and is performance-driven, so we believe in giving our team the tools to be creative and have freedom.”

Another unique option is to offer PTO specifically for volunteer service. “We’ve found it is a great benefit to offer employees paid time off to volunteer, because it demonstrates our commitment to the community,” Sarah Schupp of UniversityParent tells me. “Occasionally, the team will pick a project and work together on something to serve the community, such as organizing food for a food bank.”

Bringing extracurricular activities into the workplace helps break up the monotony.

My own companies don’t institute strict PTO specifications. Instead we offer a combination of flexibility and accountability. That requires being very clear about what responsibilities and expectations we have for employees who utilize our flexible PTO policy. As long as everyone knows what they’re accountable for, taking time away from the office is something to be encouraged.

Offer Equity (But Not In The Way You Think)

Offering equity to exceptional employees is hardly a new concept, but many CEOs have found a way to put their own spin on it by offering equity that increases based on the valuation of the company.

“I have structured some employee agreements so that they get more equity vested when the company is valued higher, as opposed to passing-of-term, which is usually observed in the industry,” Sohini Shah of iFunding recently explained to me. “This incentivizes everyone to work harder on making the company worth more, and thus own a bigger chunk of it.”

As a business owner, I am an advocate of the build-and-sell model. We offer an ownership percentage to our key employees, which is activated upon sale of the company. Consider what your five-year plan is for your company and implement accordingly.

The entrepreneurs cited above all know how to attract and retain top talent in meaningful and sustainable ways that don’t fit within the usual corporate norms. What’s more, the approaches they’ve taken to incentivize their employees are all specific to their own unique business needs and company cultures. The key is to find out what’s right for *your* staff and *your* company.

Company leaders are always looking for new ways to increase sales and bring in profits. What many often overlook, however, is the relationship between worker happiness, engagement and sales numbers. Fortunately for executives, there are some programs that will tackle all of these issues at once: incentive compensation programs.

These plans can help a company in a wide variety of ways that will lead to a positive work environment and an increase in quality performance. Keep reading to find five ways incentive compensation plans can help companies thrive.

Employee Incentive Programs reward exceptional employees for reaching work goals, achieving milestones or simply doing a good job. These types of programs are designed to offer incentive and rewards to valued employees. Employee Incentive Programs have proven very successful in arousing motivation in employees and increasing the overall performance of the company. An incentive program is a great way to show employees that you value their input while at the same time increasing your businesses potential.

Higher sales

Improving sales numbers is perhaps the most common reason executives seek out incentive compensation management plans. It's no surprise, either - ICM plans have been proven time and again to increase sales numbers and, as a result, company profits.

By offering bonuses, merit increases and other rewards to employees who meet sales targets, employers will be able to increase motivation among a sales team, which will result in better sales numbers. Salespeople, like most employees in any industry, are motivated by financial incentives. Offering extra compensation for ramped up performance will boost sales, quickly and effectively.

Teamwork

Many people view sales as a zero-sum game in which employees compete against one another for top clients and larger paychecks. If this is the case at a company, not only will workers feel pitted against one another, productivity will drop as salespeople become discouraged.

Incentive compensation plans can help remedy this kind of situation. In addition to individuals sales competitions, executives or supervisors can set up team-based sales events in which groups of salespeople work together to reach a common goal. This will create an environment in which salespeople feel comfortable sharing tips and best practices for selling a product, and can form positive work relationships with their colleagues.

Increased engagement

A recent Gallup poll found that 70 percent of Americans are disengaged from their work. This is bad news for companies everywhere, as disengaged workers can cost a company money and drag down sales numbers. One way to bring employees back to life is to use incentive compensation plans.

Individuals will be motivated not only by the prospect of financial gains, but by other rewards as well. For example, a VP of sales can set up a sales competition, and instead of rewarding top salespeople with money, they can offer such benefits as a day off from work or the flexibility to work from home. The same Gallup poll found that some of the happiest employees were those who had flexibility in their work schedules, so offering these kinds of ICM benefits will prove to be effective and help increase engagement.

Reduced turnover

When an employee is satisfied with their compensation plan - whether it includes base pay plus commission, bonus rates or merit increases - they are more likely to stay loyal to a company. As any HR professional knows, high turnover rates spell trouble for companies, as the hiring process can be as frustrating as it is expensive.

Using an incentive compensation plan wisely will reward workers for high performance and decrease the likelihood that they will seek out employment from competitors.

Improved morale

A happy worker is an efficient one, as well as a positive influence on the rest of the office. However, it's difficult to be happy when an employee feels undervalued or feels as if their hard work goes unrecognized. ICM plans reward individuals with money, gift cards or other motivating factors, but they also show employees that they are valued.

Praising an employee for their performance is a smart way to increase individual happiness and job satisfaction. When an entire sales team feels the same way, morale will increase around the office and a company will thrive.

Mutual Rewards

An Employee Incentive Program is mutually beneficial. The employee feels valued and motivated and is therefore more productive and committed. The company reaps the benefits of a motivated, focused and loyal employee. The results of Incentive Programs have a consistent theme. The company's bottom line increases as the employee's productivity peaks.

Increased motivation

Many people find it hard to motivate themselves at work. This is a common occurrence and one that has been significantly effected by Incentive Programs. These programs motivate employees by offering rewards for reaching targets and company goals. These come in many forms ranging from cash to cars to holidays to gifts. The rewards are a great motivator but what is more inspiring for the employee is that the company cares enough to offer these incentives.

Increased company morale

Rewards, incentives and recognition make for a happy, harmonious working environment. Goal setting and targeting objectives helps with focus and purpose. Employee Incentive programs offer all of these things and are highly conducive to company morale. Increases in company morale help to reduce absenteeism and overall company costs.

Increase company loyalty

Company loyalty is not something you can buy. However incentives for good work and rewards for hard work go along way to securing commitment from employees. Employee incentive programs show employees the company values their input and their work. If an employee feels valued and appreciated they are more likely to form an allegiance to the company.

Increased productivity

Incentive programs promote productivity in a number of ways. Employees are offered incentives for reaching targets or for good work in general. These incentives vary but the main aim is to encourage employees to work towards company goals. With the promise of incentives and clearly defined targets employees are more productive and motivated.



Increase objective achievement

Incentive Programs are a great way to reach targets and company objectives. Using an Incentive Program employers can set realistic goals and reward employees when they reach them. This is a great way to boost productivity and morale while at the same time achieving company goals.

Reduced company costs

Overall company costs can be reduced as a result of an Incentive Program. This cost can be measured in terms of reduced absenteeism, reduced recruitment costs and turnover of staff. You will also see a significant return on your investment via increased productivity and motivation within the office. To further explore the cost of implementing an employee incentive program please click on the link to receive quotes.

Reduced Absenteeism

The bottom line with incentive programs comes down to the very simple fact that people like being rewarded for hard work and a job well done. The rewards are only part of the equation. Incentive schemes show employees the company cares and appreciates the work they are outputting. If an employee feels appreciated and has clear targets that result in rewards then they are more likely to want to come to work.

Team Work

Incentive Programs promote teamwork and foster an environment that is conducive to success. Employees working towards rewards or targets will pull together to achieve desired results. Teamwork increases efficiency and creates harmony within the workplace.

Decreased Turnover

Incentive Programs foster happy, productive working environments. Employees enjoying this kind of environment will be more likely to stay long term. This means incentive programs reduce the amount of turnovers within the company.

The advantage of consistent staffing is that you are not spending money on recruiting or training new staff. You are also able to retain loyal committed employees with a vested company interest.

Monetary Incentives Motivate

Monetary incentives reward workers for performance and productivity through money. These incentives include employee stock options, profit sharing plans, paid time off, bonuses and cash awards. Additional monetary incentives include annual or semi-annual bonuses, such as mid-year and end-of-year rewards. These incentives encourage friendly competition between associates when linked to job performance. Monetary rewards motivate employees to produce optimally.

Non-Monetary Opportunities

Non-monetary incentives reward employee performance through perks and opportunities. These rewards include flexible work hours, training opportunities and the ability to work independently. The rewards and incentives are valuable to an employee because they allow workers to learn new skills and pursue advancement opportunities. For example, a recent graduate may view an exemplary training program within an organization as more valuable than a higher base salary because he feels the learning opportunity will benefit his career.

Employee Recognition Improves Morale

Employees who receive recognition for their work accomplishments tend to have increased morale and positive workplace attitudes. Employee recognition is an incentive employers utilize to offer feedback and encouragement to employees. Recognition rewards can include award ceremonies and public announcements, her choice for the next assignment, and asking him to be a mentor to others. And don't underestimate the power of a simple, sincere thank-you for a job well done. Workplace recognition rewards occur frequently such as at the end of the day, week or at the conclusion of the sales month.

Employee Assistance Adds Balance

Many employers offer rewards and incentives through employee assistance programs. These programs help workers maintain a balance between work and home life by supporting workers' mental and physical well-being. For example,

many programs provide counseling services to help cope with stress, family issues and substance abuse.

Employee assistance programs also offer discounts to join fitness centers to encourage an active and healthy lifestyle. Some programs help working parents find daycare and other activities for their children. The purpose of these programs is to support workers with their home responsibilities so they can remain focused on their jobs while they are at work. Small businesses can contract with an employee assistance firm to provide the services that workers need.

David Galic

on Oct 19, 2016

We all know that happy employees tend to be the most productive and loyal ones. When it comes to achieving employee happiness, the basics still ring true. Just about everyone responds well to praise, better salaries, more time off, positive company culture, and other employee benefits.

In the end, it all comes down to making your employees feel appreciated. Providing them with benefits and incentives is a great way to show them that you care and that you want them with you for the long run. However, sometimes it's hard to decide what benefits you should be offering.

When going through the process of determining what types of benefits you have to offer, the most important thing you need to do is narrow your choices down to incentives that you believe a large majority of your employees would enjoy having, regardless of their age or experience. For example, while Millennials tend to respond well to benefits such as company trips and team building events, game rooms or pizza on Fridays, your older workers might not be too excited about these types of benefits.

Today, offering the right benefits is more critical than ever when it comes to keeping employees happy. According to a survey by the Society for Human Resource Management conducted last year, 63 percent of employees believe that quality benefits are very important when it comes to overall job satisfaction.

The trick is to evaluate your options and settle on benefits that are hard not to like. They don't have to all be monetary, in fact, it's better that you offer a variety of benefits that don't just work towards improving your employee's financial

situation, but offer ones that positively influence other aspects of their work lives as well.

Here are five examples of incentives that you can offer that everyone on your staff can immediately benefit from and, in turn, welcome with open arms.

Greater Work Independence

Generally, employees seek guidance from management, but they don't respond well to being on a short leash and constantly being watched. Most employees respond to greater independence with greater productivity.

Let them know what needs to be done and when it needs to be finished by, but then give them the independence to get the job done according to their preferences. Taking into consideration the work preferences of your staff is a huge part of giving them greater independence. If you have hourly workers, include them in the process of creating their work schedules by asking them what hours and days work best for them.

Let them tell you about their availability so that they can not only get the shifts they want, but management can also have the information it needs to create schedules that take everyone's needs into consideration.

Independence is not about letting your staff run wild. It's about avoiding micro-management and allowing them to get their tasks done in a way that works best for them. If you want to give your employees a meaningful level of independence, do it in two steps: first, involve them more in planning their work projects and tasks, then show them that you trust them by giving them enough breathing room to complete their tasks without being micro-managed.

Studies have proven that autonomy not only breeds happier employees but also increases productivity. It's a win-win situation.

Education and Development Opportunities

Your best employees are always looking to learn new things and move up in the ranks. It's your job to facilitate the possibility of development within your company if you want to keep them. According to a survey conducted by Glassdoor in 2014, more than 60 percent of employees believe that the best way for them to advance their careers is to receive special training and learn new skills on the job.

This is another one of those situations that you can easily chalk up as a win-win situation for your business. By providing your employees with the opportunity to learn and develop new skills, you are keeping them engaged and happy while creating better employees and potential future leaders for yourself.

Development is, in fact, so important to employees that a majority rank it higher on their list of motivators than getting raises. Another great thing about providing educational opportunities for your employees is the fact that education assistance and sending your employees back to school is tax-exempt.

Offering your employees the chance to learn new skills and to grow professionally within your ranks demonstrates to them that they have earned your trust and that you believe in them.

Better Healthcare Options

Healthcare costs are always on the rise and now more than ever, employees really care about having quality health coverage. To help meet these needs as an employer, one route you can go is to introduce health savings accounts for your employees.

Again, it's another win-win case. The contributions that you make to employee health savings accounts are tax-free and by taking this route, you are also maintaining better control of the healthcare plans you offer, which allows you to save even more money if you are willing to be diligent about it.

Employees also love health savings accounts because they can be transferred from company to company. Essentially, that means that if they leave your company and start working for another company that offers a similar program, the money they have accrued while working with you will remain in their accounts no matter what and continue to grow.

Research on the topic shows that employees tend to love this approach. According to a survey conducted by the Employee Benefit Research Institute, almost half of employees asked said that they were either extremely or very satisfied with their consumer health savings plans.

Benefits for Commuters

Employers sometimes forget that the work day starts for many employees a lot earlier than the minute they clock in to their shifts. The commute to and from work is not only a big part of many people's days, it also happens to be one of the most stressful parts of the workday for many.

Studies have shown that the commute has a very real effect on the well-being of your employees, especially if it is a stressful one. According to a study published in Transportation Research, people who commute to work via any mode of transportation tend to be more anxious and stressed out at the workplace as a result.

Because of this, there are many states that are now offering employees commuter benefits, which are once again excellent for both staff and employers. While the commute will inevitably remain an inconvenience for most, the fact that the money spent on getting to work and returning home isn't coming out of their pockets helps to make it all a bit easier for many employees to cope with. And since commuter benefits are tax-free transportation benefits, payroll taxes do not apply to employers.

Performance Bonuses

A study performed by the American Psychological Association shows that employees perform at a higher level when they feel as if they are appreciated and valued by management. Offering achievement awards and performance bonuses is a great way to not only motivate your staff, but also show your appreciation.

The bonuses or awards don't always have to be monetary either. You can talk to your employees and ask them what types of awards they would prefer. Perhaps some would rather take extra vacation time over money.

That's another important thing to think about when starting to brainstorm ideas for offering employee benefits. Poll your staff and ask them about it. Let them tell you what they find most important and what types of benefits they would most appreciate. Sure, you might not be able to reach a full consensus, but getting honest input from your staff throughout the process is the best way to start putting an effective benefit program together for yo

6.What is the relationship between management services staff and line managers?

A **line manager** is an **employee** who directly manages other **employees** and operations while reporting **to** a higher-ranking **manager**. Related job titles are supervisor, section leader, fore person and team leader. He or she is charged with meeting corporate objectives in a specific functional area.

Line management refers to the management of employees who are directly involved in the production or delivery of products, goods and/or services. As the interface between an organisation and its front-line workforce, line management represents the lowest level of management within an organisational hierarchy (as distinct from top/executive/senior management and middle management).

A **line manager** is an employee who directly manages other employees and operations while reporting to a higher-ranking manager.^[1] Related job titles are supervisor, section leader, foreperson and team leader. He or she is charged with meeting corporate objectives in a specific functional area or line of business.¹ As an example, one type of line management at an automobile conglomerate might be the "light truck division", or even more specifically, the "light truck marketing line". Similarly, one type of line management at a financial services firm might be "retention marketing" or "state municipal bond funds".

Responsibilities

Line managers are responsible for implementing and enabling, through their staff, an organisation's people policies and practices in alignment with business objectives and core values. Their main functions with respect to employees include:

Line managers have total authority over those who report directly to them, but staff workers have primarily advisory authority. Their function is to create, develop, collect and analyze shop information, which flows to line workers in the form of advice.

Staff positions can have four kinds of authority: "advise authority," with line managers choosing whether or not to seek advice from the staff person, and

deciding what to do with the advice once they get it; "compulsory advice" or "compulsory consultation" in which line managers must consider the staff person's advice, but can choose not to heed it; "concurrent authority," in which the line manager cannot finalize a decision without the agreement of the staff person, and "functional authority" in which the staff person has complete formal authority over his or her area of specialty. Management theorists advise that functional authority for staff positions should be extremely limited in scope: it should cover only a tiny aspect of the line managers' job, it should relate only to areas in which line managers have no expertise, and it should be granted only where company-wide uniformity is required. Common types of functional authority for staff positions include authority over recruiting standards, reimbursement policies and quality standards.

Staff workers derive influence from expert authority or "authority of knowledge," from their control of information which may be vital to line managers, and from their closer access to upper management.

Department Staffing

The human resource department's main function is to support the workforce needs of the organization. HR and line managers should communicate regularly and frequently to determine the skills and qualifications required for seamless operation of department functions. Whenever there's a vacancy in a line manager's department, an HR recruiter or employment specialist and the line manager review the job description for accuracy and completeness. During the recruitment and selection process, HR advises line managers on how to identify qualified candidates and existing department staff capabilities.

Workforce Strategy

Strategic planning between HR and line managers involves reviewing projections concerning future business demands to determine whether to train current employees to prepare them for promotion or to recruit candidates with higher level skills to augment the current employee knowledge base. By working together on immediate and future staffing needs, HR and line management benefit from reduced cost per hire and turnover. In addition, the organization benefits from appropriate succession planning and adequate staffing.

Performance Management

Training and development is an HR function that prepares line managers for a number of leadership tasks. One such task is conducting employee performance appraisals. Human resources trainers develop learning objectives based on line managers' understanding of the organization's coaching philosophy. Leadership training topics include how to provide employees with constructive feedback and how to conduct fair and unbiased assessments of employee performance. HR and line managers should therefore work together to ensure the organization maintains a consistent approach to performance management. Inconsistencies within an organization's performance management system negatively impact employee job satisfaction, which is another reason HR and line managers should work collaboratively.

Conflict Resolution

Workplace conflict is inevitable whenever department employees represent different cultures, work styles and personalities. When conflicts arise, line managers typically seek the advice of HR in resolving issues between employees or issues between employees and their managers. If there is already dissension between HR and line management, it can be difficult for human resources to determine what underlies the conflict and how to resolve it. A positive working relationship between HR and line management facilitates easier handling of workplace investigations and mediating differences between staff. When HR and line management work together, it's easier for HR to investigate workplace issues because the human resource staff may have greater confidence that line managers document their employment actions and decisions appropriately and according to company policy.

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