

Human Resource Management



Figure 9.1. Human resources management includes several duties, including hiring of new employees. [1]

Learning Objectives & Introduction

After finishing this chapter, you will:

- Learn what human resources management is and how different components fit together to make an organization better.
- Understand what the different human resources activities are and how they are performed.
- Gain a better understanding of the recruiting and hiring processes.
- Understand the interview process and gain a better understanding of how different organizations may use different styles of interviews.
- Learn how human resources handles the different aspects of employee relations.

You have read about organizations establishing a competitive advantage through technology or organizational practices, but you might not have thought about how our employees can be the source of that competitive advantage. We know from the resource-based view of strategy, to gain a competitive advantage, companies must acquire resources that are valuable, rare, and that can't be imitated. That describes each of you perfectly! Each employee is valuable and rare, and because we are all unique individuals, we cannot be perfectly imitated. So, if we can find them, great employees can be a significant

advantage. It is our job as managers to help them be the best employee they are capable of being and keep them from wanting to leave.



Figure 9.2. Social capital is understanding the connections between employees and the organization to get the most out of them. [2]

Organizations are comprised of physical, financial, and human resources. The activities that center on the attraction, development, and retention of high-quality employees are referred to as [human resource management](#) (HRM).

Organizations that have good HRM policies and practices increase the production of their employees, as well as the value of their organization's services. This is known as [human capital](#). In order to achieve and sustain competitive advantage, companies need to maximize this human capital by utilizing their resources in the best way possible. This connection between the individuals and how they fit within their organizations is known as [social capital](#). It isn't enough simply to hire talented people. We need to make sure our policies, strategies, and relationships fit these people in a way they are able to get the most out of their potential.

9.2 Overview of HRM Practices

So how do we go about trying to accomplish these tasks? This figure provides an overview of the basic activities for human resource management, but it is important to notice that for each of these activities we must consider: do our actions fit within the overall strategy for our organization, are our activities legal, and are we engaging in ethical behavior.



Figure 9.3. An Overview of Basic Activities for HRM

9.2.1 Analysis & Design

Companies and organizations structure themselves in a variety of ways for specific purposes, but the purpose of these various structures is to organize work so that the goals of the organization are accomplished. The tasks that are required to help the organization function are typically divided into multiple jobs so that the organization can function both effectively and efficiently without duplicated efforts.

A **job** is a collection of related tasks, duties, and responsibilities (TDRs). A **position** is the job held by an individual. For example, your instructor for a course may lecture, conduct quizzes, and grade papers (a *job*); their *position* within the university may be as an associate or assistant professor in a specific discipline.

A cornerstone of HRM is the process of understanding each of the jobs within the organization and ensuring that each job contributes to the overall mission, strategy, and goals of the organization. To do this, we conduct something called a **job analysis**. We may find that certain jobs are not contributing to the organization as they should, in which case we may need to change the TDRs for that job. This change is referred to as **job design**. To help you distinguish between these terms, you can think about it this way—*job analysis* helps us understand the job as it exists, while *job design* allows us to change the job as needed.

Job analysis may be conducted through direct observation of work, through interviews with current employees and managers, by examining similar jobs at other organizations, or by using resources such as



[O*Net OnLine](#), which contains detailed descriptions of thousands of different types of jobs. A good job analysis will use all of these methods to provide the most complete information possible. The result of the job analysis is a job description and job specification.

A **job description** is a summary of the tasks, duties, and

Figure 9.4. Every job is different with unique skills that may be needed. [3]

responsibilities that are associated with a particular job. As a college student, your job description may include studying, attending classes, and rolling your eyes when a professor makes a bad joke. A **job specification** outlines the minimum qualifications that a potential employee must possess to be successful at that job in terms of the knowledge, skills, abilities, and other characteristics. So, again, as a student, the specification might include graduation of high school, a minimum GPA requirement, and the ability to find free t-shirts.

9.2.2 Planning

Once we understand the various jobs that are necessary within our organization, we then need to determine how many employees are required in each of those jobs. This process is called **forecasting**. What we really are doing here is educated guesswork. Think about the weatherman on your local news station. He is forecasting what he thinks the weather is going to be at a given time and place. He doesn't know for sure, but he looks at patterns and data to make the best-educated guess. The only difference is in HR planning, you are dealing with jobs instead of weather.

The goal of this forecast is to determine whether we expect a labor surplus or labor shortage, and allow us to develop a strategy to deal with these possibilities. For those of you who plan on going into HR as a career, you will need to understand how statistical models work for forecasting and other predictive studies. If you are interested in some of these intricacies, check out [this site](#). However, for our purposes, we are going to keep it at the surface level.

What everyone needs to understand is that it is very rare that we have the perfect number of employees to meet our strategies. The knee-jerk reaction to shortages or surpluses is to simply hire or fire employees as needed, but these reactions can be damaging to an organization's reputation and bottom-line.

To deal with a labor shortage, we might have our existing employees work overtime. We could bring in employees from a staffing agency, contractors, or other temporary help. If we expect to need these employees for the foreseeable future, then we might go ahead and hire them on as full-time employees. The point is that the correct strategy might not simply be to hire new employees. We should consider carefully whether we need a permanent or temporary solution.

Similar considerations have to be made when determining what to do about a labor surplus. You might think that laying off all of my extra workers is the most expedient solution, but consider all of the potential



Figure 9.5. Forecasting: How many employees does it take...?

negative outcomes that accompany such a move. The organization now pays higher unemployment insurance, workers don't feel valued, negative publicity, and other potentially undesirable consequences. Instead, the company might consider temporary furloughs, reducing hours, early retirements, or other strategies to reduce labor hours while not going to the extreme of layoffs or downsizing.

9.2.3 Recruiting

If your organization has determined that it has a labor shortage and needs to bring in new talent, then the first step is **recruiting** [■]. Recruiting can be done internally or externally and using a variety of methods and sources.

- **Internal recruiting** means using existing employees to fill vacancies within the organization. There are a number of benefits to internal recruiting which include: knowledge of the employee's current performance, enhanced loyalty from the opportunity to advance from within, lower cost, less time consuming, and consistency in the workplace. However, there are also a number of drawbacks. These might include: creating another opening by moving people around, limiting your pool of options, and not gaining a unique perspective someone from outside the organization could offer.
- **External recruiting** is the process of finding and attracting potential employees from outside the organization. The advantages and disadvantages are essentially the reverse of the internal method. It is more expensive and time-consuming, but offers the opportunity to bring in new talent, ideas, and perspectives.

External recruiting can be done in a variety of ways. The most cost-effective and most successful is generally through employee referral. This means that the organization uses existing employees to find new employees through those individuals' social networks. Other companies might attend career fairs at colleges or universities. Most organizations will use their websites or an online presence to "spread the word." Some companies might even advertise on radio or television.

Which of these methods is the best? Well, it depends. Who are you trying to recruit, and where are they likely to see your message? Based on your job analysis, you should understand the type of individual you are trying to recruit, then tailor your message and recruiting methods to locate those individuals.

9.2.4 Selection

Once we have developed a pool of interested individuals through our recruiting efforts, we need to figure out which of them would be the best employee. We will examine the selection process by dividing it into four assessment methods: *initial*, *substantive*, *discretionary*, and *contingent*. During this process, we refer to individuals under consideration as *applicants*, *candidates*, *finalists*, and *new hires* depending on how far they make it during the process.

The *initial selection methods* are when we determine whether or not each of our applicants meets the basic minimum requirements for the job. Applicants submit resumes or complete applications that highlight their education, experience, and other pertinent information. Companies are trending toward putting more focus on applications rather than resumes. [The reason for this is that recent research has found that approximately 75% of people exaggerate their education and experience, while around 50% will outright lie on their resumes.](#)¹ Most applications include a signature requirement and disclaimer that states you may be terminated if it is discovered you lied or dissembled on the application. This same guarantee does not exist on the resume.

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If an applicant is deemed to meet the minimum qualifications, then they become a candidate for the job. This begins our *substantive assessment methods* in the selection process. Candidates are subjected to a number of selection methods in an attempt to rank order or distinguish them from all of the other candidates. These methods could include personality assessments, cognitive ability testing, job knowledge tests, physical ability tests, or samples of previous work. The substantive stage is also when most organizations will conduct the most in-depth interviews. [The Society for Industrial and Organizational Psychology](#) has a list of various substantive assessment methods as well as a discussion of the advantages and disadvantages of each.

Interviews typically take one of two forms. The superior approach would be to conduct a structured interview. [Structured interviews](#) use a predetermined list of questions that are asked of each candidate and will often be evaluated using a standardized scoring system. This means that every candidate is asked

the same questions, and the quality of their responses can be easily compared. Structured interviews are also typically comprised of behavioral and situational questions. [Situational interview questions](#) consist of hypothetical situations. “What would you do if your manager asked you to do something illegal?” This is meant to get an idea of a candidate’s future behavior. [Behavioral interview questions](#) ask about a candidate’s past experiences. “Tell me about a time that you failed, and how did you overcome that failure?” So while situational questions examine potential future behavior, behavioral questions look for critical incidents in the candidate’s past.



Figure 9.6. Interviews are a part of the substantive stage of selection. [4]

[Unstructured interviews](#) are essentially conversations between the hiring manager and the candidate. There is no list of questions or systematic scoring system involved. Unstructured interviews are considered highly suspect because of their risk for bias and are often attacked in legal proceedings for just that reason.

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Once all of the appropriate substantive assessments have been conducted, this should allow us to develop a list of the job finalists. These finalists move on to *the discretionary assessments* in our selection process. If there is a single finalist, then hire the person, pass Go, and collect \$200. However, if you have multiple finalists that you feel are equally qualified for the job, you need a method to further distinguish among these individuals. At this point, some organizations that have an active interest in promoting diversity in the workplace may use demographic characteristics to promote underrepresented groups. Other organizations may use evaluations based on the finalists fit with the organization as a whole, not just with the job. They might determine which finalist best matches the culture of the organization.

At this point, we are ready to make our offer of employment. We refer to the individual as a new hire, but there is still one final set of assessments. These assessments are called contingent because employment is contingent upon the successful completion of these last steps. Some companies may require drug testing.

Others may run a final background check just to make sure you are who you say you are and haven't done anything bad enough to warrant you un-hirable. This is also the point at which many organizations will contact the references that you provide.

9.2.5 Training and Development

Regardless of how qualified or experienced a new employee might be, they will still require some degree of training. **Training** is an organization's efforts to give employees the knowledge or skills to better do their current job. We differentiate this from **development**, which is meant to improve an employee's knowledge and skills for jobs they might hold in the future. In other words, we train you for now and develop you for later.



Figure 9.7. Training and development are key to making sure your employees are successful.

Training is typically conducted either on- or off-the-job. On-the-job training takes place while the employee is engaged in the tasks, duties, and responsibilities of the job itself. Off-the-job training takes place in a lower-stakes environment that might involve a classroom or online training. Regardless of whether the training is on- or off-the-job, HRM professionals spend significant resources determining the best methods and strategies for teaching new employees the skills they will need to be successful while watching budgetary restrictions.

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9.2.6 Performance Management

Once we have hired, trained, and paid our employees, we need to ensure that they are in fact doing their jobs well! **Performance management** is how organizations make sure employees are doing what is needed and working toward organizational goals. Performance management is often based on performance appraisals constructed by managers or supervisors. These can be either objective or subjective and utilize a number of criteria.

Objective appraisals, also called results-based appraisals, are based on some kind of objective or numeric outcome. How many units were produced? How many cars sold last month? What percentage of customers were contacted within two hours? Each of these has a specific value that can be assessed and compared to established goals. The benefit of these types of appraisals is that they are legally defensible and they measure some tangible output. The problem is that in today's economy, many jobs do not have a single tangible output on which we can base a performance appraisal.

This lack of a tangible output may encourage an organization to utilize a *subjective appraisal*. Subjective appraisals, rather than being based on a specific measure, are instead rooted in the perception of the manager or supervisor doing the appraisal. *Behavioral appraisals* are a form of subjective appraisals that evaluate specific behaviors in the workplace such as “arrives on time,” “greet customers with a smile,” or “contributes to employee meetings.” While there is still room for subjectivity in the evaluation of these behaviors, methods such as behaviorally anchored rating scales (BARS) can remove some bias and create more objective standards for appraisal.



Figure 9.8. Objective appraisals are based on measurable metrics. [5]

Regardless of how performance appraisals are constructed and performed, there is a growing backlash against the entire process. UCLA's Dr. Sam Culbert has written extensively on the dangers of this process and was recently the author of an article on the topic in the Wall Street Journal. You can read Dr. Culbert's article [here](#), and listen to a conversation on the topic that aired on [National Public Radio](#).

While Dr. Culbert's arguments are well reasoned and have support, it is important to understand why performance appraisals continue in most organizations. Performance appraisals serve three primary purposes:

- *Strategic* – Appraisals help align the work of individuals with that of the organization as a whole.
- *Administrative* – They provide us information on who our best and worst employees are and who should receive bonuses, promotions, or should be targeted for termination.
- *Developmental* – Performance evaluations help us identify high-potential employees that would benefit from development opportunities and also helps us identify low-performers that are in need of supplemental training or support.

Finally, performance management systems should provide *specific* feedback to employees to let them know what they are doing well and where they need to improve.

9.2.7 Separation from the Organization

Another aspect that goes hand-in-hand with performance management is **turnover** . Employees typically don't stay with a single organization for their entire career. [In fact, according to a Bureau of Labor Statistics study, the average American worker has had nearly 12 jobs by the time they are 48 years old!](#)² People leave their jobs, and for several reasons. However, organizations that can manage turnover rate and understand *why* employees are leaving, will have a big advantage.

Turnover can be either voluntary or involuntary. **Involuntary turnover** refers to employees that are fired or laid-off. This may be for violations of company policy or poor performance in the case of firing, or due to downturns in business or the economy in the case of layoffs (also called downsizing). **Voluntary turnover** refers to employees that leave the organization for their own reasons. What we need to do is figure out whether the reason they left was avoidable or not.



Figure 9.9. Layoffs are one method of turnover. [6]

Unavoidable voluntary turnover is when an employee leaves, but not due to the organization. If an employee has a sick family member and has to move to a certain city to be closer to better hospitals and treatment, there is very little that can be done to hold on to that employee. We wish them well and begin looking for a replacement. **Avoidable voluntary turnover**, however, represents those employees that leave the organization for better opportunities, better pay, better management, or for any other cause over which we have direct control. When we experience high avoidable voluntary turnover, we need to understand that this is a symptom of something wrong within our organization.

Exit interviews are one way of trying to diagnose what type of turnover is occurring. The purpose of these conversations is to determine why they are leaving and what we can do in the future to improve the conditions and environment for our other employees.

While separations from the organization might be inevitable, they are also very expensive and organizations spend significant resources on strategies to minimize turnover.

9.2.8 Compensation

Once an employee has been hired, they probably want to be compensated for their labor. We can think about **compensation** as everything the organization provides for an employee doing their job. We can break down these rewards into three separate categories: base pay, incentives, and benefits.

Base pay is the starting point for compensation. It is basically the salary that an employee receives for doing their job. Base pay will fluctuate with factors such as rarity of the skills involved, availability of other workers, and the amount of danger or risk associated with the job.

In some jobs, competition for talented employees is so fierce that organizations are forced to offer **incentives** ⁴. Incentives are compensation above and beyond just the base pay and may include bonuses, stock grants or options, profit-sharing, or other programs. These incentives are typically done as a percentage of base pay. It is important to understand this for salary negotiation purposes. A lot of companies may offer a lower base pay, but have many incentive programs to bring total compensation up. Make sure you know what you are earning and which is more beneficial to you.



Figure 9.10. Compensation is everything, including money, that an organization provides for an employee doing their job. [7]

Finally, under federal law, all employers are required to offer some benefits to their employees. These required benefits include Social Security and Federal Insurance Contributions (FICA) among others. Most organizations realize that they must also include other benefits to be competitive in the labor market. These optional benefits include things such as health insurance, vision and dental insurance, paid time off, retirement savings accounts, and educational reimbursement. [The Bureau of Labor Statistics recently reported that benefits comprise approximately 30% of an employee's total compensation package from their employer.](#)³

9.2.9 Legal Aspects of Human Resource Management

As we discussed at the beginning of this chapter, there are legal considerations that underlie every aspect of human resource management. How we treat our employees is largely impacted by acts and laws that have been passed over the years. The timeline below will give you some specifics for each of the laws that the HR manager needs to understand and abide by to have positive employee relations.

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There are four categories that we are concerned with when it comes to treating our employees fairly and correctly. Those categories are *labor relations*, *compensation and benefits*, *health and safety*, and *equal employment opportunity*.

Labor Relations

When it comes to labor relations, the majority of Federal legal issues surround unionization. However, union membership has fallen in recent years, from 20.1% in 1983 to 10.7% nationwide in 2016 according to the [Bureau of Labor Statistics](#). In the table below you can see the current (2016) percentages of workers that belong to unions in the states in our region of the United States.

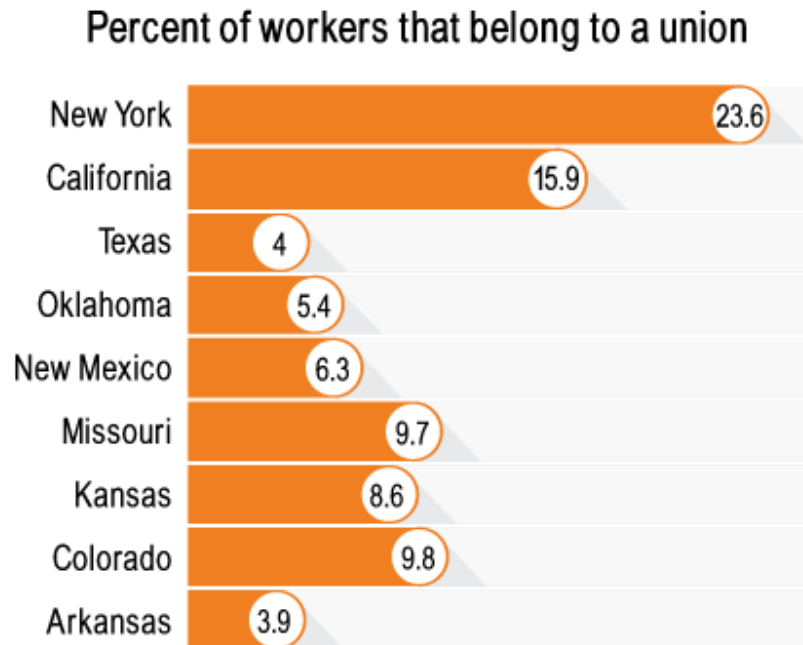


Figure 9.11. Bureau of Labor Statistics, 2016

While the number of employees “represented” by unions is still significant, it is easy to see the decline in union membership over time. The reason for this decline can be debated, but due to the small percentages of workers impacted by these laws, we will forgo any further discussion. Bottom line: know if unions are important in your industry and location.

Compensation and Benefits

The Social Security Act (SSA) was the first of the major laws pertaining to compensation passed by the U.S. government. The SSA established the first U.S. retirement fund and, nearly 80 years later, maintained its importance and has been the subject of several recent political debates. Then, in 1938, the Fair Labor Standards Act (FLSA) was passed. Other laws such as the Affordable Care Act (2010) are currently still mandated by the government, so HRM professionals must stay informed as to what pay and benefits are required under local, state, and federal laws.

Health and Safety

U.S. law dictates that workers are entitled to a safe and hazard free environment in which to work. The Occupational Safety and Health Act (OSHA) and supplemental legislation is the main directive, instructing

companies to act in their employees' best interests in matters of workplace health and safety.

Equal Employment Opportunity

The final category of laws that are important for HRM professionals are those that cover Equal Employment Opportunity (EEO) in the workplace. These laws primarily address [discrimination](#) in the workplace based on several demographic categories.

[Workplace discrimination](#) happens when employment decisions (hiring, promotion, performance appraisal, etc.) are made based upon factors that are not relevant to the job. Essentially, all EEO legislation states that employment decisions must be made based on job-related criteria.



Figure 9.12. Prohibiting discrimination is a large part of an HR director's duties. [8]

There are two types of workplace discrimination we need to be concerned with. The first type is called [disparate treatment](#), which is intentional discrimination based on an individual's belonging to a protected category such as race, gender, or disability. While we often think of discrimination in the worst of ways, disparate treatment is something that can even come from some of the best intentions.

Suppose Tom is in the position of International Accounts Manager, a job that requires considerable travel. Tom unfortunately suffered a serious car accident that required his left leg to be amputated, leaving him disabled and making it much more difficult to get around. Tom's company, trying to make his job easier, decides they are going to take away the travel from just his position. Sally, who has the same job title, still has the travel schedule Tom used to have prior to the accident. The company is intentionally treating Tom differently because of his disability. Even though the intent is meant to be beneficial to Tom, he may not have wanted the change. Tom just wanted to go back to his normal life, but he isn't able to because of the change. As managers, you need to be careful of situations where people are treated differently. Even the best of intentions can have negative consequences.

[Adverse impact](#) is the other type of discrimination. This occurs when an employer uses some criteria for making employment decisions that while not overtly discriminatory, still has a discriminatory impact. For example, if I was the proprietor of a restaurant and required all of my kitchen staff to be over six feet in height, I would disproportionately hire men over women. This would be classified as [adverse](#) impact in this case since height has nothing to do with someone's performance when it comes to preparing food.

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Many of us look at these examples and think, “this doesn’t happen nearly as much as it used to.” [However, in 2016, the Equal Employment Opportunity Commission \(EEOC\)](#) handled more than 91,000 individual complaints, with racial complaints (35.3%) and disability (30.7%) being two of the top three complaints.⁴ This was an increase of more than 10,000 cases from 20 years prior.

Because of this history of workplace discrimination, companies that have contracts with the government are required to engage in affirmative action. [Affirmative action](#) is an effort to achieve an equitable environment for all employees. Affirmative action programs are not quotas! Quota systems are illegal except in the case of egregious action on the part of specific employers. Instead, affirmative action programs attempt to provide a level playing field on which decisions are made only considering job-related criteria.

Along with workplace discrimination and affirmative action, EEO laws also cover [sexual harassment](#) under Title VII of the Civil Rights Act. There are two types of sexual harassment that violate the law—*quid pro quo* and *hostile work environment*.

[Quid pro quo](#) literally means “this for that.” In regards to harassment, it is the granting of a job benefit based on acceptance of a sexual demand. [Hostile work environment](#) occurs when office behavior creates an environment that is difficult or uncomfortable to work in. Quid pro quo is the type of discrimination that is dramatized in many movies and shows, but hostile work environment is the far more common type of harassment.

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The final takeaway we want you to have from this section is to be wary of what you are doing, how you are doing it, and who you are doing it with and around. Something that one person may not see as being offensive, discriminatory, or unfair may not be seen the same way by another person.

9.3 References

1. R. Strauss, "When the Resume Is Not to Be Believed," *New York Times*, Sept. 12, 2006, p. 2.
2. *Number of jobs held, labor market activity, and earnings growth among the youngest baby boomers: results from a longitudinal survey*. (2008). Washington DC: U.S. Dept. of Labor, U.S. Bureau of Labor Statistics.
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4. Charge Statistics (Charges filed with EEOC) FY 1997 Through FY 2016. (n.d.). Retrieved June 16, 2017, from <https://www.eeoc.gov/eeoc/statistics/enforcement/charges.cfm>

9.4 Answers to Discussion Questions

Answer to Question 9.15

How do you feel about the practice of conducting background checks?

- Answers will vary, but the logic should be that background checks are important to protect employers and their customers from potential employees that pose a risk in the workplace based on their previous behavior. From the potential employee's perspective, background checks should only be conducted and use information that is directly related to the position (tasks, duties, and responsibilities) for which they are applying. Minor offenses or offenses that are unrelated to performance of the job should not be considered in the hiring decision.

When should background checks take place in the hiring process?

- The facts from the Target case in the article indicate that background checks should be conducted during contingent assessment rather than early in the process. This allows employers to base their hiring decisions on relevant factors during the initial and substantive assessment stages.

[Click here to return to Question 9.15.](#)

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