LEARNING OBJECTIVES

After studying this chapter, you should be able to do the following:

1-1 Identify the difference between the traditional view of human resource management (HRM) and the present view. PAGE 6

1-2 Identify the major challenges that HR managers face in a modern organization; note especially where we are not doing well. PAGE 9

1-3 Identify and briefly describe the four critical dependent variables that managers must control in order to compete in a 21st century organization. PAGE 11

1-4 Describe the four major HRM skill sets. PAGE 14

1-5 Discuss the line manager’s six HRM responsibilities. PAGE 16

1-6 Identify and briefly describe the eight major HRM discipline areas. PAGE 17

1-7 List some of the major resources for HRM careers. PAGE 23

1-8 Explain the five parts of the practitioner’s model for HRM and how the model applies to this book. PAGE 25

1-9 Describe how employee engagement affects productivity. PAGE 28
Cindy reflected on the current state of the HR field: Choice and change—two things you can rely on today! No longer merely concerned with hiring, firing, and record keeping, the average human resources department (HR) increasingly partners with the strategic planners in the executive suite, thanks to HR-based education and certifications. HR certification is available through HRCI with PHR, SPHR, and GPHR designations, and SHRM also offers its own program of certification with SHRM-CP and SHRM-SCP.

My professional progress began with membership in HR organizations. First, I became a SHRM student member, which provided access to SHRM’s website—which was in turn valuable for research while I was a student. I still use it frequently. Next, my involvement spread to the local HR association. The chapter meetings provided excellent opportunities for education through the monthly programs, as well as for networking and swapping “best practices” with my colleagues.

My involvement inspired me to become certified as a professional. But beyond that, I have found that those who invest in certification tend to become more involved in their profession and, by extension, more successful.

I invite you to join me as we explore the field of human resource management (HRM). Chapter 1 gives an overview of HRM as a profession.

Cindy Wright, PHR, came late to the human resources profession, and perhaps that explains some of her passion for the field. Wright graduated summa cum laude with a Business
Why Study Human Resource Management (HRM)?

It’s natural to think, “What can I get from this book?” or “What’s in it for me?” These are important questions, and the answers to them should be based on evidence. Success in our professional and personal lives is about creating relationships, and students generally understand the importance of relationships. The better you can work with people, the more successful you will be in your personal and professional lives—whether as an employee, a line manager, or a human resource manager. And that’s what this book is all about.

CHAPTER OUTLINE

Why Study Human Resource Management (HRM)?
HRM Past and Present
   HRM in the Past
   Present View of HRM
   Technology’s Effect on Efficiency
The Changing World of HRM
   New HRM Challenges
   Labor Demographics
   Knowledge Workers and the Pace of Change
Understanding HR’s Critical Factors
   Critical Dependent Variables
   The Importance of Strategic HRM
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HRM Skills
   Technical Skills
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   Business Skills
Line Managers’ HRM Responsibilities
   Line Versus Staff Management
   Major HR Responsibilities of Line Management
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   Disciplines Within HRM
      The Legal Environment:
         EEO and Diversity Management
   Staffing
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   Employee Relations
   Labor and Industrial Relations
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   Society for Human Resource Management (SHRM)
   Other HR Organizations
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Practitioner’s Model for HRM
   The Model
   Sections of the Model
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   Employee Engagement Improves Productivity
   HRM and Organizational Agility
Chapter 1: The New Human Resource Management Process

There is strong evidence that today’s students want courses to be applied and have practical relevance. Organizations also want their new managers to have the ability to apply knowledge. The role of modern managers also continues to change, requiring today’s organizational leaders to deal with increasingly dynamic and complex environments. This brings us to the focus of this book; we designed it to be the most relevant “how to” book ever written on managing others in organizations. As indicated by the subtitle, *Functions, Applications, and Skill Development*, this book uses a three-pronged approach, with these objectives:

- To teach you the important functions and concepts of HRM
- To develop your ability to apply HRM functions and concepts through critical thinking
- To develop your HRM skills in your personal and professional lives

We offer some unique features to further each of these three objectives, as summarized in Exhibit 1-1.

Human resource issues are emerging as some of the most prominent concerns for business owners and managers. You’ve probably heard buzzwords floating around about managers—and particularly human resource managers—needing to be more strategic, business focused, customer focused, and generally more in tune with the overall operational success of the organization. So what is happening in today’s business environment that might cause human resource managers to rethink their way of doing business? A key item that is causing this process of rethinking management is the fact that there is much greater competition and an external environment that requires a much greater rate of change. That creates an absolute requirement to be more adaptable and productive as an organization. As a result, human resource managers as well as operational managers have been forced to think in more strategic terms about how their organization can win against their competitors by utilizing their human resources.

One simple fact is that in the 21st century organization, human resources (HR)—the people within an organization—are one of the primary means of creating a competitive advantage for the organization, because management of human resources affects company performance. This is because most organizations of comparable size and scope within the same industry generally have access to the same material and facilities-based resources that any other organization within the industry may have. This being the case, it’s very difficult to create a competitive advantage based on material, facility, or other tangible or economic resources. What this frequently leaves is people as the organization’s most valuable asset. If the organization can manage its human resources more successfully than its competitors do, if it can get its employees involved in working toward the day-to-day success of the
organization, and if it can get them to stay with the organization, then it has a much greater chance of being successful—with the term successful defined in this case as being more productive and more profitable than the competition. Managers are responsible for getting the job done through employees, so the organization’s human resources are nearly always its most valuable resource. If we can get our employees fully engaged, we can make better decisions, increase employee trust and loyalty, and improve productivity. (As you can see, there is a SHRM Guide box next to this section. We will explain them later in this chapter in the section titled “Society for Human Resource Management.”)

While employee job satisfaction can be an important aspect of employee engagement, the overall concept of employee engagement is much larger. It is a combination of job satisfaction, ability, and a willingness to perform for the organization at a high level and over an extended period of time. Google is an example of an organization that is taking the concept of employee engagement very seriously. Google’s “Project Oxygen” was one attempt to analyze what makes a better boss and use that information to train managers to be more consistent and interactive. This training is designed to create greater employee satisfaction and engagement, for very practical reasons. According to HR Magazine, companies that fall into “the top 10% on employee engagement beat their competition by 72% in earnings per share during 2007–08.” A 2009 study showed that companies with high levels of satisfaction and engagement outperformed those with less engaged employees in return on investment (ROI), operating income, growth rate, and long-term company valuation.

In this text, we define engaged employees as those who understand what they need to do to add value to the organization and are satisfied enough with the organization and their roles within it to be willing to do whatever is necessary to see to it that the organization succeeds. This book will teach you how to operate successfully within your organizations and compete productively in a 21st century organization—as an employee, HR manager, or any other type of manager—to get your employees engaged and get the results necessary to succeed against tough competitors in the new century. We will focus on HR management, but the principles within this text apply to any form of management. The bottom line is that if you learn these skills and apply them successfully in your role as any type of manager, you will get your employees engaged and improve productivity. That is what will get you noticed by senior management and allow you to move up the organizational ladder. So let’s get started!

HRM Past and Present

Management of the organization’s human resources has probably changed more in the past 15–20 years than in the entire history of organized companies. Technology and the ability to analyze large data sets have disrupted every industry and the way every company does, or should do, things—from operating processes to marketing to human resources. Let’s do a quick introduction to technology in Human Resource Management. Because of the importance of technological change, we will also continue to explore the effects of technology in HRM as we look at strategy in Chapter 2 and in subsequent chapters throughout this book.

HRM in the Past

Back in the dark ages, around the mid-1970s—when there weren’t even any computers available to most managers!—the human resource manager (we usually called them personnel managers then) was considered to be an easy management job. HR managers were expected to be only paper pushers who could keep all of the personnel files straight. They maintained organizational records, but they had very little to do with the management of the organization’s business processes.

In this environment, most HR departments provided limited services to the organization—keeping track of job applicants, maintaining employee paperwork, and filing annual performance evaluations.
In these organizations, the HR department was considered to be a cost center, a division or department within the organization that brings in no revenue or profit for the organization. It only costs money for the organization to run this function. As you can easily see, we don’t want many (or any) cost centers in an organization if we can help it. We need revenue centers instead. Revenue centers are divisions or departments that generate monetary returns for the organization. Where cost centers eat up available funds, revenue centers provide funds for the organization to operate in the future. HRM departments are not able to generate revenue directly because of their tasking within the organization, but they can generate significant revenue and profit in an indirect fashion.

Present View of HRM
The old workplace in which managers simply told employees what to do is gone. In today’s organization, you will most likely work in a team, perform lots of quantitative analysis on business data, and share in decision making and other management tasks. Modern organizations also expect significantly greater productivity than occurred in their historical counterparts.

PRODUCTIVITY CENTERS. Welcome to the new normal and the productivity center. A productivity center is a revenue center that enhances profitability of the organization through enhancing the productivity of the people within the organization. So, why does a modern organization worry so much about HRM? Today’s HR managers are no longer running an organizational cost center. Their function, along with that of all other managers within the organization, is to improve organizational revenues and profits—to be a profit center. But how does HR create revenue and profits for the organization? They do it by enhancing the productivity of the people within the organization. Productivity is the amount of output that an organization gets per unit of input, with human input usually expressed in terms of units of time.

We must be more competitive in today’s business environment if we are to survive for the long term. As managers, we have to do things that will improve the productivity of the people who work for us and our organization, so we create productivity centers. But, how can we become more productive? Productivity is the end result of two components that managers work to create and improve within the organization:

- **Effectiveness**—a function of getting the job done whenever and however it must be done. It answers the question, “Did we do the right things?”
- **Efficiency**—a function of how many organizational resources we used in getting the job done. It answers the question, “Did we do things right?”

Both of these are important, but most of the time, we are focused on efficiency. Our people allow us to be more efficient as an organization if they are used, and motivated, in the correct manner. This course is about how to make our people more efficient.

Companies around the world are taking this need for efficiency very seriously, and new technologies and new ways of working are helping companies improve their efficiency. Chief Human Resource Officers (CHRO) are concerned about employee engagement and productivity, and especially about improving efficiency in their respective organizations, and companies have learned that they need some of their best managers in the HRM job. In addition to improving efficiency, some fairly new research has shown that among Fortune 500 firms, having a senior HR manager in the “C-suite”—meaning having a CHRO in addition to having a chief operations officer (COO), a chief finance officer (CFO), and so on—increased profitability by 105% over peer companies that did not have a CHRO!

Recall that efficiency is a function of how many organizational resources we use up in order to get the job done. It doesn’t matter what kind of resources we are talking about. We use up material, monetary, and facility resources doing our jobs. But do we use up human resources? Well, not literally, though we can burn them out and thus make them...
useless if we subject them to intolerable working conditions. But we do use up their time. This is the value that we have in our people—
their time. We physically use up monetary resources, facility resources, and material resources, but we use up the time available from our people.

HR management deals primarily with improving the efficiency of the people within our organization. If our people are inefficient over long periods of time, our organization will fail. If we don’t use our people efficiently, we’re ultimately going to be forced out of business by somebody who is better at using those resources than we are. So the primary reason we’re worried about HR management within an organization is to improve the efficiency of our human beings.

So how do we make our people more efficient? We can’t really directly affect the performance of individuals within the organization. We can’t force employees to act in a certain way all of the time within the organization; and while we have the ability to punish them when they don’t do what we need them to do, we don’t have the ability to directly control all of their actions. So as managers for the organization, we have to do things that will have an indirect effect on our people’s productivity—their efficiency and effectiveness. And we do have certain things within our control as managers that can cause our people to do things that we need them to do.

**Technology’s Effect on Efficiency**

Senior HR Managers have learned that one way to improve efficiency of their workers is through use of technology. Old ways of doing work have become too slow in almost all cases—with competitors constantly innovating processes, and customers and employees demanding that we use technology tools to speed up both work and feedback on the work that is done. Using technology allows us to gather, analyze and manage large amounts of data much more quickly than we have ever been able to do before. This in turn allows managers—including HR managers—to find commonalities in the data that can help them create new and more efficient processes. One example will help show what we are talking about:

*Sysco*, a food service company with more than 50,000 employees, was able to identify “what actions by management will have the greatest impact on the business” through the use of survey data. Using some of this information, they were
able to improve retention for their delivery associates from 65% to 85%, which in turn saved the company about “$50 million in hiring and training costs for new associates.”

THE CHANGING WORLD OF HRM

Now let’s look at some of the issues facing today’s HR managers, including new HRM challenges, the competencies that will be required in order to do the job, and some demographic factors that we need to be aware of in a tight labor market.

New HRM Challenges

What types of issues are today’s corporate executives concerned with? A recent SHRM survey of HR and non-HR executives asked what challenges they think will be most significant over the next 10 years. Here is a brief review of what they said.

The three biggest challenges according to HR executives:
1. Maintaining high levels of employee engagement
2. Developing next generation organization leaders
3. Maintaining competitive compensation and benefits offerings

The biggest challenges according to non-HR executives were very similar:
1. Developing next generation organizational leaders
2. Managing the loss of key workers and their skill sets
3. Maintaining competitive benefits and compensation offerings

The HR competencies that will be the most critical:
1. Business acumen: ability to understand and apply information to contribute to the organization’s strategic plan
2. Organizational leadership and navigation: ability to direct and contribute to initiatives and processes within the organization
3. Critical evaluation: ability to interpret information to make business decisions and recommendations
4. HR expertise: ability to apply the principles and practices of HRM to contribute to the success of the business

Reviewing these challenges, HRM has been reasonably good at identifying and meeting some of them, while others have gone without significant attention to date in most companies. We have pursued better selection and retention strategies for a number of years, and we have recently become much better at identifying future leaders and managing organizational relationships, culture, and structure.

Where we have still not done as well—at least in most organizations—is in business acumen, especially in quantitative areas dealing with metrics and data analytics. The ability to analyze large data sets allows HRMs to work toward overcoming another of their challenges—creating strategic agility. We will introduce you to some basic HR metrics as we go through this text so that you have a working understanding of how they might be used in each functional area of HRM.

Labor Demographics

We face significant demographic changes in the labor force that will be available to our companies over the next 20 years. “Businesses no longer have a “typical” worker—diversity in terms of gender, ethnicity and religion abounds within organizations.” Aging of the workforce, skills shortages, and many other factors affect the ability of HR to provide the organization with the right numbers and types of employees. Let’s quickly review a few of these issues.
Companies in developed countries are seeing a reduction in the number and quality of potential skilled employees, as well as greater gender, ethnic, and age diversity than at any time in the past. The lack of skilled workers for increasingly complex jobs is considered to be a major, ongoing problem. Partly as a result of this shortage of skilled labor, we are seeing more older employees with high-level skill sets remain in the workforce. So as a manager in a 21st century organization, your workforce will look much older than it has historically.

Your organization will soon look more culturally diverse—even compared to today. The growth in immigrant workers will be substantial. Hispanic workers (of all nationalities) alone are predicted to be approximately 20% of the workforce in 2024, but today, they compose only about 16.3% of the workforce. Asian workers are expected to move up from about 5.6% now to about 6.6% of the workforce in 2024. But the gender mix will stay fairly close to what it is today. The percentage of women in the workforce has stabilized at about 47%–48%.

All of this means that managers of a 21st century organization will need to be more culturally aware and able to deal with individuals with significantly different work ethics, cultural norms, and even languages.

Knowledge Workers and the Pace of Change

In the Information Age, we see a new kind of worker. Knowledge workers are workers who “use their head more than their hands” and who gather and interpret information to improve a product or process for their organizations. In essence, knowledge workers manage knowledge for the firm.

One of the most critical issues that HR managers face is the fact that technology is outpacing our ability to use it. Computers get faster and faster, but the human beings who have to use them don’t. This means that if the people in the organization can figure out ways to take advantage of the technology better and quicker than our competitors can, then we can create a sustainable competitive advantage. Notice, that we didn’t say create better technology—that wouldn’t give us a sustainable advantage since our competitors could just copy the technology and improve it once we designed it. We must continually figure out ways to use the technology more successfully through hiring and training better and more capable employees—our human resources. If we do this, then as the technology changes, our people will continually figure out ways to take advantage of it before our competitors’ people do. This ability within our people is the thing that creates a continuing advantage over competitors who either don’t have people with numerous and varied knowledge and skills, or don’t have people who want to assist the organization because they are not engaged and not satisfied.

Knowledge is precious in an organization. There is a continuous shortage of knowledge workers, and the United States is not alone. In most countries of the world, the news is the same—too few knowledge workers and too many knowledge jobs open and waiting for them. In fact, in one recent study, 38% of worldwide employers reported difficulty in filling jobs. This means that for the foreseeable future, we will have a shortage of knowledge workers on a global scale.

So each HR manager is going to be competing with every other HR manager in the world for the pool of knowledge workers. If the organization has a reputation as a difficult place to work, will they succeed in getting knowledge workers to come to work for the organization when those workers have so many other opportunities? That would be very unlikely! Only if the organization manages its human resources successfully and maintains a reasonable working environment will it have any chance of filling most of the jobs that it has available.
UNDERSTANDING HR’S CRITICAL FACTORS

While there are many factors in successfully managing the organization’s human resources, a few stand out in today’s business world. Management of people is necessarily different from managing money or other material resources because people have free will and can do things in any way they see fit. So HR managers and all other leaders in organizations need to learn how to indirectly control their human resources, where to lead the people resources of the company, and what tools are becoming more important in creating advantage for one business over another. Let’s review these three issues next.

Critical Dependent Variables

Before we go any further in this text, let’s look at some of the things that managers tell us they must control to compete in today’s business environment, but that they can’t directly manipulate because people have free will. These items are called dependent variables because they can be affected only through indirect means. We don’t have the ability to directly manipulate them. We have to control some other variable—called an independent variable because we can independently (directly) control it—to affect these items in any meaningful way.

Every time that we survey managers in any industry or any department about managing others, they bring up the following issues as being among the most important and most difficult things that they deal with:38

1. **Productivity**—previously defined
2. **Employee engagement**—previously defined
3. **Turnover**—permanent loss of workers from the organization. When people quit, it is considered voluntary turnover, while when people are fired, it is involuntary turnover.
4. **Absenteeism**—temporary absence of employees from the workplace

Note that all of these issues deal with people—not computers, not buildings, not finances. Also, managers have no direct control over these things. They only affect these items through indirect actions. In other words, we can’t force an employee to come to work and thus avoid absenteeism, nor can we force an employee to be happy with their work. We have to create conditions in which the employee is willing to or even wants to come to work and in which they can enjoy their job. We can and should do this through employment practices that the employee perceives as fair and reasonable, such as providing acceptable pay for the tasks performed by the employee. We have already introduced you to productivity and employee engagement, but let’s take a moment for a more detailed look at absenteeism and turnover.

**Turnover** is the permanent loss of workers from the organization. Does turnover cost the organization? Absolutely!39 “There is strong and “growing recognition that collective turnover can have important consequences for organizational productivity, performance, and—potentially—competitive advantage.”40 What specific issues are associated with turnover? Well, first is the cost of the paperwork associated with the departing employees; and if they left involuntarily, we may have increases in our unemployment insurance payments and might even have some potential security issues. Next, there is finding someone else to do the job, which incurs job analysis costs, recruiting costs, and selection costs (we will talk about all of these later). Once we hire someone new, we have orientation and other training costs, costs associated with getting the new worker up to speed on their job (something we call a *learning curve*), and the costs associated with them just not knowing our way of doing business (every company has a unique culture, and not knowing how to act within that culture can cause problems). So again, because we have many costs associated with turnover in the organization, we want to minimize turnover.

On the other hand, **absenteeism** is the failure of an employee to report to the workplace as scheduled. So what’s the problem with that? If employees don’t come to work,
we don’t have to pay them, right? Well, some of them anyway—but not when we give paid sick leave or when they are “exempt” employees (we will talk about exemptions in Chapter 11). So why do managers worry about absenteeism? Well, for one thing, it does cost the organization money—not necessarily directly, but indirectly. On an annual basis, absenteeism costs in the United States went from an estimated $30 billion in 1984 to about $225 billion per year in 2015. And even if we don’t have to pay employees when they are absent from work, we still have to maintain benefits like health insurance. We also likely lose productivity from other employees because of having to do the missing employee’s work and not being able to do their normal job; that costs us money, too. In addition, if some of our workers are frequently absent, it causes lower job satisfaction in others who have to continually “take up the slack” for their absent coworker. And there are other issues as well. So, we can quickly see that even though we don’t have to pay some of our workers if they don’t come to work, absenteeism still costs the organization money.

Note that our four dependent variables are interrelated. Absenteeism is costly, is often due to a lack of employee engagement, and leads to lower productivity. People tend to leave their jobs (turnover) when they aren’t engaged with their work; and while they are being replaced and sometimes after, productivity goes down.

So now we can see the importance of these four big issues that managers can’t directly control. The bottom line is this:

As managers, we always need to be doing things that will improve productivity and employee engagement and that will reduce absenteeism and turnover. These items are critical. Everything in HRM revolves around these four things.

The Importance of Strategic HRM

Strategy and strategic planning look at our organization and environment—both today and in the expected future—and determine what we as an organization want to do to meet the requirements of that expected future. We work to predict what this future state will look like and then plan for that eventuality.

Only in the last 30–40 years has HR management really gone from reactive to proactive in nature. Instead of waiting for someone to quit and then going out and finding a replacement, HR managers are now actively seeking out talent for their organizations. Good HR managers are constantly looking at processes within the organization and, if there is something going wrong, figuring out how to assist the line management team in fixing the problem—whether it is a training problem, a motivation problem, or any other people-oriented problem. The function of HR has been redesigned to enhance the other (line) functions of the business.
**SUSTAINABLE COMPETITIVE ADVANTAGE.** Why has HRM been redesigned? To make our organizations more competitive and to create sustainable competitive advantages. This is the basis of strategic HRM.\(^{47}\) Strategy and strategic planning deal with the concept of creating sustainable competitive advantage, a capability that creates value for customers that rivals can’t copy quickly or easily and that allows the organization to differentiate its products or services from those of competitors.

Can we gain an advantage from our buildings, our physical facilities, or our equipment? Can we create machinery that our competitors can’t create or imitate? Do we have access to computers that they don’t have access to? Of course not—not in most cases anyway. It is very rare that we can create any real technological advantage over any significant period of time, even if our technology is proprietary. If we create a technological advantage in today’s business environment, it’s usually overcome, or at least closely matched, fairly quickly. So where within the organization can we create sustainable competitive advantage? The only place we can consistently create advantage that our rivals can’t quickly match is through the successful use of our human resources—getting them to be more productive and more engaged with the organization than are our rivals’ human resources.\(^{48}\) If we can create an organization where people want to come to work and where they are therefore more productive, less likely to leave, less likely to be absent, and more creative and innovative—then guess who wins? We win, you lose, you die. It’s that simple.

**The Influence of Social Media**

The last factor we will discuss here is the emergence of social media as a major tool for the workplace. Almost everyone today is familiar with social media in their personal life—Facebook, Instagram, Snapchat and LinkedIn are just a few of the many social media platforms. However, many of you probably don’t know how much social media platforms have changed the way work is done in HR and other parts of the organization. Let’s quickly review some of the common areas where social media is put to use. We will also discuss more about social media as we go through the remainder of the book.

- **Recruiting and selection.** The recruiting process in many companies has almost been taken over by social media. Recruiters scour social media platforms like LinkedIn for talented individuals whose profile fits a job the recruiter is attempting to fill.\(^{49}\) On the other side of the process, many candidates use social media to check out the potential employer, connect with existing employees of the company, and review the company’s social media tools that they will have available if they choose to join its workforce.

  Selection may be supported by Skype interviewing, where the candidate can personally interact with members of the company at little or no cost to either party. Other social media sites like Facebook and LinkedIn are frequently scoured (as long as the state or country where the selection is taking place allows such reviews) as part of the background checks done on candidates to help the company make a selection that fits with the organizational culture.\(^{50}\) These checks are again of little or no cost to the company.

- **The onboarding process.** Once the person is selected to join the organization, social media can again be used to assist in many steps needed to get the person up to speed and capable of contributing to the company. We can use social media to teach organizational culture; create an FAQ area to answer common questions from new employees; provide mentors or work buddies to support the new employee; and provide commonly required payroll, equal opportunity, safety and other information that can be reviewed at any time. We can create “communities” on the company intranet that can provide the new person with interaction with other employees all over the company. The use of social media to inform and enculturate new members of the organization is really unlimited.

  • **Training and development.** As you will see in Chapter 7, social learning is one of the primary ways that we learn new things. Social media platforms can easily be used to provide training for current jobs, or developmental information to employees.\(^{51}\) Many employees today rate the ability to learn and develop their skills for future jobs as more important than pay. Here again, formal mentoring and development communities can help with training and development for the new employee.
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- **Performance management.** Social media platforms give companies the means for continuous feedback to their employees. Many employees respond better to continuing feedback than to quarterly or annual formal appraisal sessions. Many social media platforms can also provide permanent records of the good, bad, and ugly of each employee’s work. This can be useful if we ultimately have to go through a disciplinary process. You can pretty quickly see that social media is invading almost every area of HRM, so HR managers need a strong understanding of the uses and the dangers of social media. We will continue to point out areas where social media can be helpful and harmful as we go through the remainder of this book.

**HRM SKILLS**

What skill sets will an HR manager need in order to succeed in their job? All managers require a mix of technical, interpersonal, conceptual and design, and business skills in order to successfully carry out their jobs (see Exhibit 1-2). HR managers are no different, so all leaders need management skills to improve organizational performance. The set of necessary HR skills is similar to the skills needed by other managers; but, of course, it emphasizes people skills more than some other management positions do. The recently promulgated SHRM Competency Model discusses four basic “competency clusters” that match up well with the following four skill sets.

**Technical Skills**

The first skill set that an HR manager must develop to be successful, and also the easiest one to develop, is the technical skill set. Technical skills are defined as the ability to use methods and techniques to perform a task. Being successful as an HR manager requires many skills, including comprehensive knowledge of laws, rules, and regulations relating to HR; computer skills (because everything in HR is now computerized); interviewing skills; training knowledge and skills; understanding of performance appraisal processes; cultural knowledge (so we don’t make culture-related mistakes); and many others. This skill set is part of the SHRM technical expertise competency. We will cover many of these technical skills in the remaining chapters of this book.

**Interpersonal Skills**

The second major skill set is interpersonal skills, which comprise the ability to understand, communicate, and work well with individuals and groups through developing effective relationships. The resources you need to get the job done are made available through relationships with people both inside the organization (i.e., coworkers and supervisors) and outside the organization (i.e., customers, suppliers, and others).

HR managers must have strong people skills. This does not mean that HR managers always have to be gullible or sympathetic to every sob story, but it does mean that they have to be empathetic. **Empathy** is simply being able to put yourself in another person’s place—to understand not only what he or she is saying but why the individual is communicating that information to you.

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**EXHIBIT 1-2 HRM SKILLS**

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<th>Technical Skills</th>
<th>Business Skills</th>
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**Human Relations Skills**

**Conceptual and Design Skills**
information to you. Empathy involves the ability to consider what the individual is feeling while remaining emotionally detached from the situation.

Interpersonal skills also involve the ability to work well with others in teams; to persuade others; to mediate and resolve conflicts; to gather information from others; and to jointly analyze, negotiate, and come to a collective decision. This skill set is identified as interpersonal proficiency in the SHRM competency model. We will focus on interpersonal skills throughout this book, and you will have the opportunity to develop your skill set throughout this course.

Conceptual and Design Skills

Conceptual and design skills are another skill set required in a successful HR manager. Such skills help in decision making. Clearly, the decisions you have made over your lifetime have affected you today. Likewise, leaders’ decisions determine the success or failure of the organization. So organizations are training their people to improve their decision-making skills. Conceptual and design skills include the ability to evaluate a situation, identify alternatives, select a reasonable alternative, and make a decision to implement a solution to a problem. This skill set is a critical part of creating and maintaining the ability to lead in an organization.

The conceptual part of this skill set is an ability to understand what is going on in our business processes—the ability to “see the bigger picture” concerning how our department or division and the overall organization operates. It also includes the ability to see if we are getting outside expected process parameters. In other words, are we doing things that we shouldn’t be, or are we not successfully doing things that are necessary for maintaining a high level of productivity?

Design skills are the other part of the equation. This is the skill set that allows us to figure out novel or innovative solutions to problems that we have identified through the use of our conceptual skills. So, one part of this skill set is identification of any problems that exist, and the second part is decision making to solve problems and carrying out (leading) the solution. Learning this skill set is necessary if you are going to become capable in the SHRM leadership proficiency competency.

Business Skills

Finally, SHRM’s business-oriented proficiency competency is a mandatory HRM skill. Like technical skills, business skills are easier to develop than human relations and conceptual

WORK APPLICATION 1-5

Give examples of how a present or past boss of yours used each of the four HRM skills.

Conceptual and design skills The ability to evaluate a situation, identify alternatives, select a reasonable alternative, and make a decision to implement a solution to a problem

APPLYING THE CONCEPT

HRM Skills

Identify each activity as being one of the following types of HRM skills, and write the letter corresponding to each skill before the activity or activities describing it:

a. technical
b. interpersonal
c. conceptual and design
d. business

11. The HR manager is working on the strategic-planning process.
12. The HR manager is working on determining why more employees have been coming to work late recently.
13. The HR manager is filling out a complex government form.
14. The HR manager is talking socially with a few of her staff members.
15. The HR manager is praising a staff member for finishing a job analysis ahead of schedule.
16. The HR manager is assigning projects to various staff members.
17. The HR manager is communicating with employees throughout the company via email.
and design skills. **Business skills** are the analytical and quantitative skills—including in-depth knowledge of how the business works and its budgeting and strategic-planning processes—that are necessary for a manager to understand and contribute to the profitability of the organization. HR professionals must have knowledge of the organization and its strategies if they are to contribute strategically. This also means that they must have understanding of the financial, technological, and other facets of the industry and the organization and be able to manipulate large amounts of data using data analytics programs and HR metrics.

**LINE MANAGERS’ HRM RESPONSIBILITIES**

What if you are not planning on becoming an HR manager? Why do you need to understand the topics that we are discussing throughout this book? Well, line managers are the first point of contact with most of our employees when they have questions about human resources policies or procedures. As a result, you have to have a basic understanding of the management of your organization’s human resources. You need to be able to answer employee HR questions; and if you don’t follow company HR policies, you can cause legal problems for your firm, get disciplined and fired, and potentially even spend time in jail. So in this section, we explain the difference between line and staff management and line managers’ major HRM responsibilities.

**Line Versus Staff Management**

**Line managers** are the individuals who create, manage, and maintain the people and organizational processes that create whatever it is that the business sells. Put simply, they are the people who control the actual operations of the organization. A line manager may have direct control over staff employees, but a staff manager would not generally have any direct control of line employees.58

HR managers, on the other hand, would generally be **staff managers**, individuals who advise line managers in some field of expertise. These managers act basically as internal consultants for the company, within their fields of specialized knowledge. As an example, a company accountant or lawyer would usually have staff authority within a manufacturing firm—they would be there to advise the operational managers concerning what is legal or illegal. However, in a law firm, a lawyer would usually be a line manager, because the organization’s end product is knowledge and application of the law. In this case, the lawyer would have the ability to control the organization’s processes to produce their output—a legal briefing, a lawsuit, or a contract agreement for instance.

**Major HR Responsibilities of Line Management**

What does a line manager need to know about HR management? A lot! Remember that every manager’s primary job is to manage the resources of the organization, including the human resources.59 The following list shows some of the major items that line managers would need to understand in order to successfully do their job.

**LEGAL CONSIDERATIONS.** Line managers can inadvertently violate the law if they don’t know what the various employment laws say and what actions are prohibited or required in dealing with employees. Laws that a line manager needs to understand include employment laws, workplace safety and health laws, labor laws, and laws dealing with compensation and benefits.

**LABOR COST CONTROLS.** What can and can’t line managers do to minimize labor costs?

All managers need to know how they can manage labor costs, both from an efficiency standpoint and from the standpoint of understanding the state and federal laws that limit our options for managing our labor resources.
Chapter 1: The New Human Resource Management Process

Leadership and Motivation. Obviously, one of the major reasons to have managers is to provide motivation and leadership to employees in our organizations. Managers are worth less than nothing if they don’t improve their workers’ performance and productivity through the use of motivation and leadership.

Training and Development. Line managers are generally the first to see a problem with organizational processes. This is frequently an indication that some type of training is needed. Line managers are also the individuals who would debrief most employees on their annual performance appraisals. This is another situation in which a manager might recognize the need for further training of their workforce. Finally, line managers are the people responsible for making changes to organizational processes. As a result of these changes, we frequently need to train our people on the new methods of doing our work.

Line managers are also the people responsible for identifying the talented workers in the organization whom we need to develop so that they can move into higher-level positions when they are needed. The organization needs to have these people “in the pipeline” so that as others leave the company or retire, we have qualified individuals to take their place.

Appraisal and Promotion. Line managers should almost always be responsible for the appraisal (also called evaluation) of the people who work for them as well as for the process of debriefing those individuals on their annual (or more frequent) work evaluations. The line manager should also have a strong voice in who should be eligible for promotions in the organization, since the line manager’s job is to know their people and their capabilities and limitations.

Safety and Security of Employees. Line management has primary responsibility for maintaining the safety and security of the organization’s workforce. They must know federal and state laws concerning occupational safety and health as well as procedures for securing the organization’s workspaces and people from both outsiders and other employees who would want to harm them. Line managers need to monitor the areas under their physical control to minimize the hazards that can occur inside our companies.

So line managers have a lot to do with the human resources in the organization, don’t they? All line managers need to know all of these things and more in order to be successful in their jobs.

HR Managers’ Responsibilities: Disciplines Within HRM

But what if you are planning to become an HR manager? HR managers take the lead in the management and maintenance of the organization’s people. It is an exciting field with many different paths that you can take over the course of your career. The field is so broad that you could do something different each year for a 40-year career and never exactly duplicate an earlier job.

So if you have decided that you would like to explore the field of HRM as a career, what kind of jobs could you expect to fill inside your organization? What are your options for a career, and what kinds of specialized training and certification are available for you in the field? Although there are many different jobs in the field, most of them fall into a few categories. Let’s briefly take a look at each of these disciplines or specialties. We will provide the details in later chapters.

Most HR jobs are either generalist jobs, in which the HR employee works in many different areas, or specialist jobs, in which the employee focuses on a specific discipline of HR. What specialties are available? Below is a partial list of some of the major specialist careers that you can get into if you desire. But first, complete the self-assessment to help you better understand your overall interest in HR and which specialties interest you more.
The Legal Environment: EEO and Diversity Management

Equal employment opportunity (EEO) and diversity management specialists are involved with the management of the organization’s employee-related actions to ensure compliance with equal opportunity laws and regulations as well as organizational affirmative action plans (when such plans are required or desired). Such specialists also have responsibilities related to the management of diverse employee groups within the company. There are many management-level issues in the diversity effort, including intergroup conflict management, creating cohesiveness, combating prejudice, and others. We will discuss some of these issues later in the text.

The HR legal and regulatory environment is critical to every organization today. This is also quite likely the area that changes more than any other in HRM. Every court case that deals with the human resource environment inside any organization has the potential to affect every organization because of the results of that case. Even if the court ruling doesn’t change the way a company has to do business, if a federal or state legislature sees that a ruling was unfair, they may change the law at either the federal or state levels, and that affects each organization under their jurisdiction. This is how the Lilly Ledbetter Fair Pay Act (among other laws) was created. The US Supreme Court heard a case dealing with unequal pay and made its ruling based on existing laws. Because the US Congress felt that the ruling was unfair, it enacted a new law to change certain rules on how and when an equal pay complaint can be filed. We will talk a little more about this law in Chapter 3.

So if every court case that deals with equal opportunity, compensation and benefits, harassment, or discrimination in any form has the potential to change the way in which every company does business, then you can quickly see that the HR-related legal environment is an area of critical importance to your company. Therefore, people with strong expertise in HR law are equally critical to the organization. So if you want a job where you really never do the same thing twice, look at becoming an HR legal specialist.

Staffing

Staffing includes all of the things that we need to do to get people interested in working for our company—going through the recruiting process, selecting the best candidates who apply, and getting them settled into their new jobs. This is likely one of the most rewarding areas in HRM. We get to hire people into the organization who want to work for us. However, it is also a highly complex job in which we have to understand the other jobs for...
which we are hiring, the people who apply to fill those jobs, and the legalities involved with the hiring process. This is the first line of defense for the company. This area can literally make or break the organization in its ability to be productive. If we attract and hire the right types of people with the right attitudes and skills, then the organization will have a good start at being successful. If we hire the wrong types—people who don’t want to work or don’t have the correct skill sets—then the organization will have a very difficult time being successful in the long term.

Training and Development

Next, we have the training and development discipline. This is where the education and training function occurs in organizations. A modern organization won’t get very far without constantly training its employees. Research supports the idea that employees who participate in more training and development are less likely to leave the company (i.e., less likely to cause turnover) and less likely to engage in neglectful behavior. We train people for a variety of reasons, from teaching them their basic job to teaching them the things that they will need to move up in the organization as people above them resign or retire. If you enjoy teaching and learning, this might be an area to consider as a career field in HRM. Many HR managers stay in training and development for their entire career, because they like it. They get to interact with many different people within the organization and get to learn about many different parts of the company as they go through the training processes.

As a training and development specialist, you would have responsibility for the training processes within the organization, as well as for the development of curricula and lesson plans and the delivery of training courses. You would also be involved with the development of talent within the company so that employees are trained and ready to move into more senior positions as those positions become vacant.

Employee Relations

This specialty covers a very wide array of items associated with management and employee relations. It involves such things as coaching, conflict resolution, counseling, and disciplining the workforce as needed. It also involves leadership and team-building efforts within the organization. Virtually every organization today operates with at least some teams as part of its structure, and teams create unique problems within the company that employee relations managers must address.

We also measure and evaluate job satisfaction and employee engagement as part of employee relations. HR managers in this function have to keep up with the many and varied laws relating to employee relations, and this specialty also involves the management of employee communication.

Labor and Industrial Relations

The labor and industrial relations specialist works with the laws and regulations that control the organization’s labor-related relationships with their workforce. This is also the area that manages any relationships the organization has with unions. HR managers who work in this area might be involved in union votes, negotiations for union agreements, contract collective bargaining, handling grievances, and other items that affect the union/management relationship within the organization. This area also includes all labor relations activities, even in nonunion businesses. These managers have to maintain a working knowledge of all of the federal labor laws such as the National Labor Relations Act and the Taft-Hartley Act. Again, we will cover this in more detail later.

Compensation and Benefits

A compensation and benefits specialist might find jobs in compensation planning, salary surveys, benefits management, incentive programs, and more. This area deals with how we reward the people who work for us. Rewards come in many styles and types, and the
### HR Disciplines

The following are 24 HR activities that you could be involved in. Rate your interest in each specialty with a number (1–7) that represents your interest in the activity.

<table>
<thead>
<tr>
<th>I’m not really interested in doing this</th>
<th>I’m really interested in doing this</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Working to make sure everyone in the firm is treated fairly</td>
<td>1</td>
</tr>
<tr>
<td>2. Working against discrimination and helping minorities to get hired and promoted</td>
<td>2</td>
</tr>
<tr>
<td>3. Knowing the laws, helping the firm implement laws, and reporting how the firm complies with the HR laws</td>
<td>3</td>
</tr>
<tr>
<td>4. Working to get people to apply for jobs, such as writing advertisements and attending job fairs</td>
<td>4</td>
</tr>
<tr>
<td>5. Interviewing job candidates</td>
<td>5</td>
</tr>
<tr>
<td>6. Orienting new employees to the firm and their jobs</td>
<td>6</td>
</tr>
<tr>
<td>7. Teaching employees how to do their current jobs</td>
<td>7</td>
</tr>
<tr>
<td>8. Developing employees’ general skills so they can progress in the firm</td>
<td>8</td>
</tr>
<tr>
<td>9. Designing curricula and lesson plans for others to teach employees</td>
<td>9</td>
</tr>
<tr>
<td>10. Coaching, counseling, and disciplining employees whose work quality is not up to standards</td>
<td>10</td>
</tr>
<tr>
<td>11. Working with teams and helping resolve conflicts</td>
<td>11</td>
</tr>
<tr>
<td>12. Working to understand and improve the level of job satisfaction throughout the firm</td>
<td>12</td>
</tr>
<tr>
<td>13. Working with union employees</td>
<td>13</td>
</tr>
<tr>
<td>14. Collective bargaining with unions</td>
<td>14</td>
</tr>
<tr>
<td>15. Solving employee complaints</td>
<td>15</td>
</tr>
<tr>
<td>16. Working to determine fair pay for different jobs, including investigating competitors’ pay scales</td>
<td>16</td>
</tr>
<tr>
<td>17. Creating incentives to motivate and reward productive employees</td>
<td>17</td>
</tr>
<tr>
<td>18. Finding good benefits providers, such as lower-cost and higher-quality health insurance providers</td>
<td>18</td>
</tr>
<tr>
<td>19. Making sure that employees don’t get hurt on the job</td>
<td>19</td>
</tr>
<tr>
<td>20. Working to keep employees healthy, such as developing diet and exercise programs</td>
<td>20</td>
</tr>
<tr>
<td>21. Ensuring the security of the facilities and employees, issuing IDs, and keeping employee records confidential</td>
<td>21</td>
</tr>
<tr>
<td>22. Ensuring that employees are ethical, such as developing and enforcing codes of ethics</td>
<td>22</td>
</tr>
<tr>
<td>23. Enforcing ethical standards, such as maintaining methods for employees to confidentially report ethics violations</td>
<td>23</td>
</tr>
<tr>
<td>24. Working to help the organization develop methods to improve efficiency while protecting our environment</td>
<td>24</td>
</tr>
</tbody>
</table>

### Scoring and Interpreting Individual Discipline Results

Place your rating numbers (1–7) below and total the three scores for each discipline. Then rank your totals from 1 to 8 to determine which disciplines interest you most:

**Legal Environment: Equal Employment Opportunity (EEO) and Diversity Management**

<table>
<thead>
<tr>
<th></th>
<th>Total (Rank this total: _____ [1–8])</th>
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<tbody>
<tr>
<td>1</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
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</tbody>
</table>

**Staffing**

<table>
<thead>
<tr>
<th></th>
<th>Total (Rank this total: _____ [1–8])</th>
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<tbody>
<tr>
<td>4</td>
<td></td>
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<tr>
<td>5</td>
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<td>6</td>
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</table>

**Training and Development**

<p>| | |</p>
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<tbody>
<tr>
<td>7</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
</tr>
</tbody>
</table>
Compensation and Benefits
16 _____ 17 _____ 18 _____ Total (Rank this total: _____ [1–8])

Safety and Security
19 _____ 20 _____

The higher your total in each discipline, the greater your interest in that area of HR at this point in time. Of course, your interest levels can change as you learn more about each discipline. You will also be doing self-assessments in all the other chapters that relate to these eight disciplines.

Scoring and Interpreting Total Discipline Results
Now add up your grand total interest score (from all 24 activities) and write it here: _______. Then compare it to the continuum below to gauge your overall level of interest in working in human resources:

<table>
<thead>
<tr>
<th>Low interest in HR</th>
<th>24</th>
<th>50</th>
<th>75</th>
<th>100</th>
<th>125</th>
<th>150</th>
<th>168</th>
<th>High interest in HR</th>
</tr>
</thead>
</table>

The higher your score, the greater is your overall interest in HR again, at this time only.

You should realize that this self-assessment is designed only to show your current level of interest. It may not predict how much you will enjoy working in any HR discipline in the future. For example, if you get a real job in an area where you gave yourself a low score today, you could end up finding it very interesting. The self-assessments throughout this book are designed to give you a better understanding of your interest and aptitudes at the present time, and they are open to your interpretations. For example, some people tend to rate themselves much lower or higher than others even though they have the same level of interest—so don’t be too concerned about your score. There are no correct answers or scores. Some people with lower scores may actually enjoy the course more than those with higher scores. The purpose of these self-assessments is to help you gain self-knowledge and get you thinking about how the topic of HRM relates to you.

So at this point, you should have a better idea of what the eight HR disciplines are and which areas are of more and less interest to you. But as you read the rest of this chapter and the others and learn more about each discipline, you may change your mind.

compensation and benefits specialist helps decide the total compensation package that the organization will use to attract and retain the best mix of people with skills that are specifically suited to the organization. Here again, a manager will have to understand the federal and state laws that deal with compensation management within businesses, including the Fair Labor Standards Act plus EEO and discrimination laws. Compensation management also includes issues such as pay secrecy, comparable worth, and wage compression—topics that we will cover in some detail in later chapters.

In this specialty, you would have a hand in setting pay scales, managing pay of various types, and administering benefits packages. All of the processes within this discipline are designed to help the organization attract and keep the right mix of employees. You would also deal directly with all of the federal and state compensation laws to ensure compliance in organizational pay and benefits procedures.

Safety and Security
We also need to protect our human resources. In the safety and security discipline, a manager might work in the area of occupational safety and/or health to make sure we don’t injure our people or cause them to become sick because of exposure to some substance they work with. This discipline also includes fields such as stress management and employee assistance programs, which help employees cope with the demands of their jobs.
on a daily basis. And finally, this function works to ensure that employees are secure from physical harm inflicted by other workers, outsiders, or even acts of nature. We have to protect our people if we are going to expect them to do their jobs.

As a safety and security specialist, the HR manager works to ensure that the work environment is safe for all workers so that on-the-job injuries, illnesses, and other negative events are minimized to the greatest extent possible. You also have responsibility for managing the organization’s plans for securing the workforce, both from being harmed by other people as well as from natural disasters such as earthquakes or tornados. Maintaining the privacy of employees’ confidential HR files is also part of this specialty.

Ethics and Sustainability

In this specialty, you would bear responsibility for seeing to it that the organization acts in an ethical and socially responsible manner. You would work on codes of ethics and also make sure employees live by those codes, such as by maintaining ways in which employees can report violations of ethics (also known as whistle-blowing).

Environmental issues are major social concerns today, and sustainable development has become one of the foremost issues facing the world. Sustainability is meeting the needs of today without sacrificing future generations’ ability to meet their needs. All developed societies and a growing number of developing countries expect sustainability, and that includes wanting managers to use resources wisely and responsibly; protect the environment; minimize the amount of air, water, energy, minerals, and other materials used in the final goods we consume; recycle and reuse these goods to the extent possible rather than drawing on nature to replenish them; respect nature’s calm, tranquility, and beauty; and eliminate toxins that harm people in the workplace and in communities. Some companies have historically done a relatively poor job of maintaining the environment in some less developed countries in which they operated. In fact, in many cases, companies decided to operate out of a particular country to minimize their costs associated with conservation and sustainability.

If you take a look at the table of contents as well as the practitioner’s model below, you will realize that this book is organized to discuss the eight areas of HRM listed above. We have gone through the disciplines pretty quickly thus far, but we will deal with each in much more detail as we continue through this text. For right now, just understand that
there are many different functions and areas in which an HR manager can work as part of their organization. So, it is pretty much guaranteed that you won’t get bored in your role as a 21st century HR manager if you don’t want to.

Next, let’s take a look at some of the professional organizations that are out there to help you get where you want to go in HRM.

RESOURCES FOR HRM CAREERS

If you are interested in HRM as a career, there are several professional associations and certification programs associated with HR management that will help you get into these jobs and help you advance more quickly in the future. We’ve listed some of them below, and there are several others within specific HR disciplines that are not discussed here.

Society for Human Resource Management (SHRM)

The Society for Human Resource Management (SHRM) is the largest and most recognized of the HRM advocacy organizations in the United States. According to its website, SHRM is “the world’s largest HR professional society . . . representing more than 285,000 members in over 165 countries.”

What does SHRM do? Probably the biggest part of its work is dedicated to (1) advocacy for national HR laws and policies for organizations and (2) training and certification of HR professionals in a number of specialty areas. SHRM also provides its members with a place to network and learn from their peers, plus a vast library of articles and other information on HR management.

SHRM is an outstanding organization that anyone thinking about a career in human resources should consider joining. Student memberships have always been and continue to be very inexpensive, especially considering all that is available to members of the

APPLYING THE CONCEPT

HRM Disciplines

Identify each HRM discipline and write the letter corresponding to it before the activity involving it:

- a. Legal Environment: EEO and Diversity Management
- b. Staffing
- c. Training and Development
- d. Employee Relations
- e. Labor and Industrial Relations
- f. Compensation and Benefits
- g. Safety and Security
- h. Ethics and Sustainability

18. The HR manager is writing an ad to recruit a job candidate.
19. The HR manager is investigating an employee complaint of racial discrimination.
20. The HR manager is taking a class in preparation for the exam to become certified as a Professional in Human Resources (PHR).
21. The HR manager is working with an insurance company to try to keep the high cost of health insurance down.
22. The HR manager is replacing the office copier with a more energy-efficient model.
23. The HR manager is having a new software program installed to protect employee records from theft.
24. The HR manager is working on the new collective bargaining contract with the Teamsters Union.
25. The HR manager is looking for potential new employees at the LinkedIn website.
26. The HR manager is filling out an accident report with a production worker who got hurt on the job.
27. The HR manager is reviewing a company report that compares its wages and salaries to other businesses in the area.
28. The HR manager is giving priority to promoting a member of a minority group to a management position.
29. The HR manager is teaching the new employee how to use the HR software program.
30. The HR manager is referring an employee to a marriage counselor.

Society for Human Resource Management (SHRM)

The largest and most recognized of the HRM advocacy organizations in the United States

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organization. If you are a college or university student, does your school have a student SHRM chapter? If it does, and you are serious about a career in HR—join. If your school doesn’t have a chapter, consider starting one.

SHRM also provides a curriculum guide for colleges and universities that offer HRM degree programs. The guide identifies specific areas in which SHRM feels students should gain competence as HRM majors. It breaks down curriculum areas into required, secondary, and integrated sections. Because SHRM is such a significant force in each of the HRM fields, we have decided to show you where each of the required curriculum areas is covered within this text. In each chapter, you will see notes on the side of the page when a SHRM required topic is discussed. These notes are alphanumerically keyed to the information in the Appendix: SHRM 2016 Curriculum Guidebook. You might want to pay special attention to these side notes if you have plans to become an HR manager.

If you do decide to work toward a goal of becoming an HR manager, you will need to think about taking the SHRM-CP Exam. To get more information about the SHRM-CP Exam and when you are eligible to take it, go to the SHRM website at http://www.shrm.org/assessment/.

Other HR Organizations

In addition to SHRM, there are three organizations that have certification programs that are recognized in many countries around the world. The first one is the Association for Talent Development (ATD). As its name implies, ATD primarily focuses on supporting those who develop the knowledge and skills of employees in organizations around the world. Its major certification is the Certified Professional in Learning and Performance (CPLP). According to the ATD websites, CPLP certification is designed to “Validate your knowledge and skills in the talent development profession.”

The Human Resource Certification Institute (HRCI) is the second organization that provides some of the most respected certifications for HR personnel anywhere in the world. The three biggest HRCI certification programs are the PHR, SPHR, and GPHR certifications. PHR stands for Professional in Human Resources, SPHR stands for Senior Professional in Human Resources, and GPHR stands for Global Professional in Human Resources. These certifications are recognized by organizations worldwide as verification of a high level of training.

The other major organization is WorldatWork. Certifications from this organization include Certified Compensation Professional (CCP), Advanced Certified Compensation Professional (ACCP), Certified Benefits Professional (CBP), Global Remuneration Professional (GRP), Work-Life Certified Professional (WLCP), Certified Sales Compensation Professional (CSCP), and Certified Executive Compensation Professional (CECP). As you can quickly see, WorldatWork mainly deals with compensation, benefits, and performance management programs.

All of the above certification bodies are quite high in quality within their areas of focus. Each of them has extensive websites (the primary sites are https://www.td.org; https://hrci.org; and http://worldatwork.org). If you are interested in these certifications, take a look as you have time.

Professional Liability

One of the more important things that you need to understand if you are thinking about becoming an HR manager is the issue of professional (personal) liability for the actions that you take on behalf of the organization. It is not a well-known fact that HR managers can be held personally liable for some of the actions that they take as part of their job. For instance, two federal laws—the Fair Labor Standards Act and the Family and Medical Leave Act (which we will discuss in more detail in later chapters)—“have both been construed by courts to provide for individual liability.” Both the organization and managers who have authority to make decisions for the organization can be sued by an employee who feels that their rights under these laws have been violated. This is one of the many
reasons why if you plan to manage people, you really want to understand all of the HRM concepts as well as possible. These are only two examples of potential professional liability that an HR manager can incur if they fail to take federal and state laws into account. There are many others, so you need to be aware of the potential for personal liability, and in some cases, you may even need to consider professional liability insurance—for instance, if you are an HRM consultant to outside organizations.

**PRACTITIONER’S MODEL FOR HRM**

We have given you a (very) brief history of current HRM practices and what HR management does for the organization. Now we need to get into the particulars of the matter and start talking about some of the detailed information that you will need to know in order to be a successful manager for your organization. How will we do that? We are going to work through what you need to know using a practitioner’s model for HRM, shown in Exhibit 1-3.

**The Model**

The practitioner’s model is designed to show you how each of the sections of HRM interact and which items you must deal with before you can go on to successfully work on the next section—kind of like building a foundation before you build a house. The model first...
provides you with knowledge of which organizational functions are critical to ensure that the organization can be viable over the long term—so that it will operate legally and work toward the goals that it has identified as critical to gaining success. Second, the model helps you learn what things the organization needs to do in order to sustain itself and its human resources over the long term—including identifying and setting up different jobs, finding the right people, and getting them into the organization and ready to work. Next, the model discusses the critical issues in managing those human resources successfully—training, developing them for the future, evaluating and improving their performance, and maintaining a strong relationship between management and employees. Fourth, the model discusses how to maintain your workforce through managing the compensation and benefits provided to your people—including determining fair pay and incentives for work completed, as well as what benefits to provide to workers. Finally we look at some special issues that have become far more important to organizational success: safety and health, ethics and social responsibility, and global issues.

Sections of the Model
Let’s discuss the details of each section of the model separately.

SECTION I: 21ST CENTURY HRM, STRATEGIC PLANNING, AND HR LAWS. You have already begun Section I, where we discuss the modern form of HRM, including the necessity of having strategy-driven HRM and a strong understanding of the basic HR legal environment. This is the basis for everything else that an HR manager will do, so it is the foundation of our diagram. These are the things that are most critical to the organization’s basic stability and success, because if we don’t get them right, we will probably not be around long enough as an organization to be successful in the sections resting on this one.
SECTION III: DEVELOPING AND MANAGING. In the third section, we learn how to manage our people once they have been selected into the organization. We have to train (and retrain) our people to do jobs that are ever changing in today’s organization; we have to evaluate them in some formal manner so that they know how well they are doing in the eyes of their management; and we have to develop them so that they can fill higher-level positions as we need people to step up into those positions. We sometimes have to coach, counsel, and/or discipline our employees as well, so we need to learn how to do those things so that we can improve motivation when possible; and if we can’t improve motivation or overcome poor work behaviors, we will know how to correctly and humanely separate (i.e., terminate) the individual from the organization. Finally, Section III addresses the role of employee and labor relations, with emphasis on the function of unions within organizations. So Section III shows us how to manage our human resources on a routine basis.

SECTION IV: COMPENSATING. The fourth section will cover the compensation and benefits packages that we work with to keep our people satisfied (or at least not dissatisfied). Both direct compensation, in the form of base pay and incentives, and indirect pay, in the form of worker benefits, provide us with some level of control over what our employees decide to do for the organization (since we cannot directly make them more productive). Section IV shows us how to reward and maintain our workforce, since they are so critical to our ongoing success.

SECTION V: PROTECTING AND EXPANDING STAKEHOLDER REACH. The last section’s topics include managing safety and health, providing ethical and social responsibility guidelines to members of the organization, and the globalization issues involved in working in multiple countries and cultures. The area of worker safety and health is critical because the employees of a 21st century organization are almost always the basis of at least some of our competitive advantage over our rivals in any industry, so we need to keep them healthy and happy. In addition to safety and health, two other areas have become far more important since the beginning of the information age in the early 1980s: ethical, sustainable, and socially responsible organizations; and the ability to operate in a global business environment. We wind up the text with these topics.
In each chapter of this book, we will discuss some of the most important issues and trends in HRM today. These issues and trends will cover areas such as the use of technology in HRM, social media, ethical issues, HR metrics, and diversity and equal opportunity. For this chapter, we have chosen the following issues: Employee Engagement Improves Productivity, and HRM and Organizational Agility.

**Employee Engagement Improves Productivity**

Remember that employee engagement is defined as a combination of job satisfaction, ability, and a willingness to perform for the organization at a high level and over an extended period of time. This combination of satisfaction, ability, and willingness is a more critical predictor of company performance today than ever before. Many of our global employees are highly talented and extremely difficult to replace, but lots of them just aren’t being made an integral part of the organization through the use of management techniques that would cause them to become more interested in both their work and the work of the organization overall.

One Gallup survey recently noted that around 32% of US workers are engaged with their work, and worldwide it is even worse at a dismal 13% engagement. In another survey, Gallup reported that companies with the most engaged workforce had 147% higher earnings per share, better productivity and profitability, and lower absenteeism and turnover than their competitors; so there is certainly strong reason to work toward a more engaged workforce.

Many managers and employees think that compensation is the most important item in employee engagement, but that is simply not the case—at least in most organizations. Engaging employees is not an easy task, but we do have some evidence of things that work—at least in some cases. Overall compensation and benefits matter, but they are not enough. So how do we improve engagement? Take a look at the following tips.

**Increasing engagement:**

1. Give them the right tools—Mobile, social, digital tools that provide immediate information and feedback.
2. Create trust—“walk the talk,” as Jack Welch says.
3. Listen—and then act on the information received. “Not only does a comprehensive approach to listening help an organization pinpoint and quickly address problems, it makes people feel valued.”
4. Employees are more important than clients/customers. Manage and lead the individual employee—they are individuals!
5. Treat all employees with respect. This was the number one factor in job satisfaction, and therefore in employee engagement, in a 2016 SHRM survey.

Obviously, this is a cursory look at engagement, but we will discuss every one of these issues in more depth as we go through the remainder of the text. For now, just understand the importance of improved employee engagement.

**HRM and Organizational Agility**

One of the words being used to describe successful organizations in today’s environment is agile. The agile organization not only accepts change and disruption but also thrives in such environments. Because nearly every industry is being disrupted by technology, agility is becoming a requirement in order to become, or remain, an industry leader. How can HRM help the organization become agile?

- Create a digital culture. To do this, HR and line managers must become comfortable with mobile and on-demand technology that allows the organization to be more agile.
and to respond more quickly to outside forces. Introduce HR technology to manage and inform the workforce; make it part of daily operations, and have leadership endorse its use. Digital technology can be used in nearly every area of HRM, including recruiting, selection, organizational safety, training and development, performance management and appraisal, and tracking individual compensation. Organization culture will be discussed more in Chapter 2; but for now, understand that we can design characteristics into the culture that will enhance the ability of all of our employees to adopt, and adapt to, new technology easily and quickly.

- Develop the ability not only to survive, but to thrive on change. Along with creating a culture that is comfortable with digital technology and tools, the business needs to pay close attention to making people at all levels comfortable with immediate and continuing change. Change will be discussed in more detail in Chapter 9.

- Explore the value of “on-demand” workers. The historical stable, large employee workforce is not always going to be the most valuable option in an agile organization. Working with all types of individual contributors will need to become the norm. Full-time employees need to work seamlessly with consultants, temporary workers, part-timers, and partner organization employees. They will need to be able to create and maintain these relationships as long as necessary, modify them when needed, and cut off their interaction when the relationship no longer adds value. We will discuss options for managing labor in more detail in Chapter 4.

- Review legacy processes and structures for adaptability to the agile workplace. Many companies have internal structures and processes that were designed to improve efficiency, but at the expense of adaptability. When we design standard ways to do work and train people on those procedures, they become ingrained into the company—they are “the way we do things.” Unfortunately, along with being very efficient, they can prevent employees from seeing the value in doing something in a new way using new tools. If the organization is going to be able to become agile, we have to review the company structure and processes to see what can be kept without significant effect on the ability to adapt to new environments and what has to be modified. Organizational structure will also be discussed in Chapter 2.

Let’s wrap-up this chapter by taking a look at what we have accomplished. We started out by showing you how HRM has changed in the past several decades and how it has become much more important to the organization due to continuing demands to increase productivity. We showed you how productivity, employee engagement, turnover, and absenteeism are issues that companies have to deal with but have no direct control over; and we showed you how these factors affect work in organizations. We then identified several skills that you will need to be successful as a 21st century line or HR manager, and we identified the functional areas and the specialties that you can choose from if you decide to pursue a career in HRM. Finally, we gave you a model for success as a practitioner of HR management, and we showed you just a few of the issues that HR managers will face in the coming years.

WORK APPLICATION 1-11
Select an organization and describe how it is and/or is not agile.
PART I: 21ST CENTURY HUMAN RESOURCE MANAGEMENT STRATEGIC PLANNING AND LEGAL ISSUES

CHAPTER SUMMARY

1-1 Identify the difference between the traditional view of HRM and the present view.
The traditional view holds that human resource management is a cost center, meaning a department or division within an organization that uses up organizational resources but doesn’t create revenues for the company. In the 21st century organization, we view HRM as a productivity center for the company. As a productivity center, HR fulfills a revenue-generating function by providing the organization with the right people in the right place and with the right skills so that organizational productivity can be improved.

1-2 Identify the major challenges that HR managers face in a modern organization; note especially where we are not doing well.
The combined major challenges are:
• Maintaining high levels of employee engagement
• Developing next generation organization leaders
• Maintaining competitive compensation and benefits offerings
• Managing the loss of key workers and their skill sets
Where we are doing poorly is primarily in the area of business acumen, especially in quantitative areas such as metrics and data analytics.

1-3 Identify and briefly describe the four critical dependent variables that managers must control in order to compete in a 21st century organization.
The four critical variables are productivity, employee engagement, turnover, and absenteeism.
1. Productivity is the amount of output that an organization gets per unit of input, with human input usually expressed in terms of units of time. The two parts of productivity are efficiency and effectiveness.
2. Employee engagement is a combination of job satisfaction, ability, and a willingness to perform for the organization at a high level and over an extended period of time.
3. Turnover is permanent loss of workers from the organization. When people quit, it is considered voluntary turnover, while when people are fired, it is involuntary turnover.
4. Absenteeism is temporary absence of employees from the workplace.

1-4 Describe the four major HRM skill sets.
The HRM skill sets include technical skills, interpersonal skills, conceptual and design skills, and business skills. Technical skills include the ability to use methods and techniques to perform a task. Interpersonal skills
provide the ability to understand, communicate, and work well with individuals and groups through developing effective relationships. Conceptual and design skills provide the ability to evaluate a situation, identify alternatives, select an alternative, and implement a solution to the problem. Finally, business skills provide analytical and quantitative skills, including the in-depth knowledge of how the business works and of its budgeting and strategic-planning processes that is necessary for a manager to understand and contribute to the profitability of the organization.

1-5 **Discuss the line manager’s six HRM responsibilities.**

Line managers require knowledge of each of the following topics:

- **Legal considerations.** Line managers must know all of the major employment laws so that they don’t accidentally violate them in their daily interactions with their employees.
- **Labor cost controls.** Line managers have to understand what they are legally and ethically allowed to do to control labor costs.
- **Leadership and motivation.** Probably the most significant function of a line manager is that of being a leader and motivator for the people who work for him or her. Managers are worth less than nothing if they don’t improve employee performance.
- **Training and development.** Line managers are typically the first point of contact to determine whether or not their workforce needs training or development to perform at a high level. They are also the people responsible for making changes to organizational processes. Training in these new processes is typically required to create maximum productivity in our workforce.
- **Appraisal and promotion.** Line managers are the primary individuals who evaluate subordinates’ work performance, and they should have a strong voice in who should be eligible for promotions in the organization, since their job is to know their people and each of their capabilities and limitations.
- **Employee safety and security.** Line managers have primary responsibility for the safety and security of the workers in an organization. They have to know the laws that deal with occupational safety and health as well as security procedures to protect their people from individuals who might want to do them harm.

1-6 **Identify and briefly describe the eight major HRM discipline areas.**

- **The legal environment: EEO and diversity management.** This discipline deals with equal opportunity laws and regulations as well as management of a diverse workforce.
- **Staffing.** This discipline manages the processes involved in job analysis, recruiting, and selection into the organization.
- **Training and development.** This discipline has responsibility for the training processes within the organization, for developing curricula and lesson plans, and for delivery of training courses. It is also involved with development of talent within the company to provide a group of employees who will be able to move into more senior positions that become vacant.
- **Employee relations.** This area involves the coaching, counseling, and discipline processes, along with employee communication and stress management. It is also typically responsible for the management of job satisfaction and employee engagement.
- **Labor and industrial relations.** This discipline works with the laws and regulations that control the organization’s relationships with their workforce. It also works with any union-management contracts, including but not limited to union votes, grievances, contract negotiations, and bargaining with union representatives.
- **Compensation and benefits.** This discipline works with pay of various types and with benefits packages, all of which are designed to attract and keep the right mix of employees in the organization. It also deals directly with all of the federal and state compensation laws to ensure compliance.
- **Safety and security.** This discipline works to ensure that the environment on the job is safe for all workers so that on-the-job injuries and illnesses are minimized to the greatest extent possible. It also involves managing the organization’s planning for securing the workforce, both from being harmed by other people and from natural disasters such as earthquakes or tornados.
- **Ethics and sustainability.** This discipline bears responsibility for seeing to it that the organization acts in an ethical and socially responsible manner, to minimize harm to the environment and its various stakeholders. It involves managing the sustainability efforts in the organization to minimize the organization’s “footprint” on the environment—in other words, to minimize the depletion of worldwide resources caused by the organization’s carrying out its processes.

1-7 **List some of the major resources for HRM careers.**

The major resource for most HR managers is the Society for Human Resource Management, or SHRM. SHRM maintains information on all of the HR functions that we mentioned in Chapter 1. Other sources for information include ATD (The Association for Talent Development), which focuses on training and developing employees in organizations; and WorldatWork, which primarily focuses on total compensation of the workforce in all types of organizations.

1-8 **Explain the five parts of the practitioner’s model for HRM and how the model applies to this book.**

The practitioner’s model is designed to show the relationships between each of the functions and disciplines within HRM.

- On the first level are the items that are absolutely critical to the organization if it is going to continue to operate (and stay within federal and state laws while doing so) and be stable and successful for a significant period of time.
- The second level encompasses those things that are required to identify the kinds of jobs that must be filled and then to recruit and select the right types of people into those jobs so the company can maximize productivity over the long term. These are the items that will allow the organization to get its work done successfully over long periods of time.
- As we get into the third tier, we concern ourselves with management of the human resources that we selected in the second level. We have to get them training to do their
jobs and allow them to perform those jobs for a period of time. We then have to appraise their performance and, if necessary, correct their behaviors that are not allowing them to reach their maximum potential. We do the latter through the coaching, counseling, and disciplinary processes. As this is occurring, we need to ensure that we maintain positive relationships with our employees so that they remain engaged with the organization and productive. We manage these positive relationships in many ways, from measuring and assessing job satisfaction periodically to managing relationships with union employees.

- In the fourth tier, we look at how to reward and maintain employees. Compensation and benefits can help keep employees satisfied and motivated.
- Finally, in the top tier, we want to make sure that we reward and maintain our workforce to minimize unnecessary turnover and dissatisfaction. We do this through fair and reasonable compensation planning and through the maintenance of a safe and secure workplace.

1-9 Describe how employee engagement affects productivity.

Employee satisfaction, ability, and willingness are critical factors to an organization’s success. Compensation and benefits are not enough to improve employee engagement. Employers also need to provide the right tools, create trust, listen and act, and treat employees with respect and as individuals. Employers also need to keep employees engaged to help them better adapt to change, as organizations increasingly need to become agile to navigate new technologies and changing organizational structures.

KEY TERMS

| Absenteeism | 11 |
| Business skills | 16 |
| Conceptual and design skills | 15 |
| Cost center | 7 |
| Effectiveness | 7 |
| Efficiency | 7 |
| Empathy | 14 |
| Employee engagement | 6 |
| Human resources (HR) | 5 |
| Interpersonal skills | 14 |
| Knowledge workers | 10 |
| Line managers | 16 |
| Productivity | 7 |
| Productivity center | 7 |
| Revenue centers | 7 |

KEY TERMS REVIEW

Complete each of the following statements using one of this chapter’s key terms:

1. __________ consists of the people within an organization.
2. __________ is a combination of job satisfaction, ability, and a willingness to perform for the organization at a high level and over an extended period of time.
3. __________ is a division or department within an organization that brings in no revenue or profit; in other words, it costs money for the organization to run this function.
4. __________ is a division or department that generates monetary returns for the organization.
5. __________ is a revenue center that enhances the profitability of the organization through enhancing the productivity of the people within the organization.
6. __________ is the amount of output that an organization gets per unit of input, with human input usually expressed in terms of units of time.
7. __________ answers the question, “Did we do the right things?” It is a function of getting the job done whenever and however it must be done.
8. __________ is a function of how many organizational resources we used in getting the job done; it answers the question, “Did we do things right?”
9. __________ are workers who “use their head more than their hands” to gather and interpret information to improve a product or process for their organizations.
10. __________ is the permanent loss of workers from the organization.
11. __________ is the failure of an employee to report to the workplace as scheduled.
12. __________ is a capability that creates value for customers that rivals can’t copy quickly or easily and that allows the organization to differentiate its products or services from those of competitors.
13. __________ include the ability to use methods and techniques to perform a task.
14. __________ are the ability to understand, communicate, and work well with individuals and groups through developing effective relationships.
15. __________ is being able to put yourself in another person’s place—to understand not only what they are saying but why they are communicating that information to you.
16. __________ are made up of the ability to evaluate a situation, identify alternatives, select a reasonable alternative, and make a decision to implement a solution to a problem.
17. __________ are the analytical and quantitative skills, including in-depth knowledge of how the business works and of its budgeting and strategic-planning processes, that are necessary for a manager to understand and contribute to the profitability of the organization.
18. __________ create and manage the organizational processes and the people that create whatever it is that a business sells.
19. __________ are the individuals who advise line management of the firm in their area of expertise.
20. __________ is meeting the needs of today without sacrificing future generations’ ability to meet their needs.
21. __________ is the largest and most recognized of the HRM advocacy organizations in the United States.
COMMUNICATION SKILLS

The following critical-thinking questions can be used for class discussion and/or for written assignments to develop communication skills. Be sure to give complete explanations for all answers.

1. Why is it important for all business majors to take this course in HRM?
2. Are you interested in becoming an HR manager? Why or why not?
3. Do you agree with the statement “Effectively utilizing the human resources within the organization is one of the few ways to create a competitive advantage in a modern business”? Why or why not?
4. Is employee engagement possible in an age when people tend to have very little loyalty to their employers and vice versa? How would you work to increase employee engagement as a manager?
5. Can HRM really create revenue for the organization? If so, how?

CASE 1-1 BA-ZYNGA! ZYNGA FACES TROUBLE IN FARMVILLE

In late 2011, Zynga’s employees were showing serious frustration with long hours, high-stress deadlines, and especially the leadership of the company. Responses to a quarterly staff satisfaction survey provided lots of criticism of both the company culture and of Mr. Mark Pincus—the CEO. One individual was so disenchanted that he openly expressed his intent to “cash out” and leave after the company’s initial public offering (IPO) in December 2011.

Zynga was one of the fastest growing web-based companies at that point in time. It operated with an almost military command-and-control structure, with autonomous units in charge of each game (most of you will recognize the games FarmVille and CityVille). At times, it was “a messy and ruthless war.”89 Employees worked long hours while “managers relentlessly track[ed] progress, and the weak links [were] demoted or let go.”90 The entire environment could be described as intense.

There were serious concerns about the long-term viability of this culture, though. While some staff members thrive in this environment, others find it crushing. Several former employees describe emotionally charged encounters, including loud outbursts from Mr. Pincus, threats from senior leaders, and moments when colleagues broke down in tears.91 A number of former employees spoke about how the high-pressure culture might become a major liability as the company continued to grow. The consensus of these former workers appeared to be that the company might not continue to be able to attract and retain the top engineering and programming talent that they would need going forward.

“While from the outside Zynga may have the fun and whimsy of the Willy Wonka chocolate factory, the organization thrives on numbers, relentlessly aggregating performance data, from the upper ranks to the cafeteria staff.”92 Everything was measured and mapped, and results were used to identify the top performers along with the “not-so-top” performers and their groups. (Top teams had been known to be rewarded with vacations for the entire team, with spending money provided by the company!) Mr. Pincus personally tracked large amounts of data showing performance levels for the 3,000 employees and their work teams.

It wasn’t that Zynga was failing, or even that there was an open fear of failure. Zynga was one of the rare Internet start-ups that were actually making money. Zynga had garnered $828.9 million in revenue in the first nine months of 2011 and had earned $121 million since the start of 2010. However, the company culture was purely performance driven. The best employees were rewarded very well, while people who couldn’t “hit the numbers” were likely to disappear.

Other local companies and their human resources managers were looking on in anticipation. They also had talent acquisition problems, but many had a much more collaborative culture than Zynga did, and they thought they would be able to use these cultural attributes to steal talent from Zynga after the IPO concluded. They knew that most of Zynga’s early employees who had some type of stock or options in the company would not be likely to leave until the IPO was finalized, but that many would be looking around soon after.

Questions

1. Imagine you are the new HR director at Zynga. What do you think you might do in this situation to limit the potential loss of a large number of very talented employees?
2. Are there any benefits or incentives that you can think of that might make more people want to stay on at Zynga after the IPO is complete and they can “get their money”?
3. HR managers frequently have to teach other senior managers how to deal with their employees better. What do you think you can do about Mr. Pincus? Is there anything you can do? Can you coach him concerning his management style? Do you think this will be effective?
4. Do you think that big cash and stock rewards for top performers and “the boot” for poor performers is the appropriate way to manage talent in this type of high-tech business? Why or why not?

Case written by Herbert Sherman, Long Island University
When oil hit $26.21 a barrel in 2016, down from nearly $100 a barrel from five years earlier, jobs in the oil service industry were rare and people were out of work. “Everyone was so hungry, it was like we were hanging a steak in front of a bunch of starving people,” said Joseph Triepeke, founder of the industry research company Infill Thinking in Dallas. A year later with oil at $55 a barrel, an employer like Piotr Galitzine is having a hard time keeping up with his orders and is running 24/7 one of his Houston-based, steel-pipe shops.(1)

The rising oil prices are fueling orders with the oilfield-equipment giant National Oilwell Varco Inc. as well, with a ten-year shift in their business from offshore gear to land-based. “It’s tough,” said the chief executive officer of Agility Energy Inc. “We’ve got commitments that are very difficult to keep right now because we can’t get the drivers.”(2) Surprising, since truckers who haul fracking sand have a starting pay of around $80,000 per year.

Yet the shift of employment in this market segment is not evident when looking at the larger labor picture, since unemployment for the most part has been unchanged. The Bureau of Labor Statistics (the government agency charged with tracking US employment) reported that long-term unemployment, defined as those being out of work for more than 26 weeks, remained stable at 1.8 million in February 2017. This constituted 23.8% of total unemployment. The annual rate of total unemployment dropped from 4.9% to 4.7% with the total number of unemployed remaining constant at 7.5 million.

Construction employment did account for the largest growth in February 2017. Construction in general over the last six months accounted for job growth of 177,000 with a one-month gain of 58,000 jobs. Heavy and civil engineering construction added 15,000, while specialty trade contractors accounted for 36,000.(3)

With the price of crude oil doubling over the past three years, oil companies are quite busy. This growth has been supported by new technology that allows for faster drilling, more intelligent tracking, and locating a greater quantity of rich oil deposits. This boom could be very short-lived, given the fact that finding good shale formations are hit-or-miss. Once found, the fracking process begins—the adjacent rock is bombarded with chemicals, water, and sand. The most stress-free drilling is in pancaked layered formations (predominately found in the Permian Basin of New Mexico and West Texas).

When business booms, so does employment. Canada and the United States are outpacing worldwide expenditures on production and exploration by 4:1, with the U.S. outpacing the last oil surge with an additional 125,000 barrels a day since September 2016.

“Every time I push that computer button that says ‘approved’ on the rehire, I feel better.”(4) CEO Galitzine of pipe-supplier TMK Ispcos, the US unit of Russia’s TMK PJSC, said that just over the past four months, he has hired nearly 300 employees, increasing the number of his workers to the highest level since January of 2016; yet he feels this boom of oil prices may not last.

“When we were at $100, to look at $50 would have been very scary. . . . Now, the confidence $100 used to instill can probably be had at $65. . . . That’s how much cost has been squeezed out of the supply chain. So $65 is the new $100.”(5)

Is Galitzine right? Supply and demand drives the industry; and Galitzine is tracking how growth in shale drilling is offsetting the November reduction of 1.2 million barrels a day of crude from the 13-member Organization of Petroleum Exporting Countries and Russia.

Bryan Sheffield, chief executive officer of Parsley Energy Inc. is worried that the boom/bust cycle will repeat itself; he just doesn’t know when. “For every barrel that OPEC cuts, the American shale drillers are putting on half a barrel. If that remains, then I think we’re okay.” If shale fields start churning out much more, “then who knows what’s going to happen to the price of oil,” he said. “Probably nothing good.”(6)

Questions

1. One of the two main goals of strategic HRM is to ensure the correct number of employees with the types of skills the organization requires. Given the boom/bust nature of the oil services industry, what external factors in this case should an HR manager monitor to ensure that employment needs are met?

2. What types of jobs and related skill sets seem to be in short supply currently in the oil supply industry, given the increase in construction employment in the past year? Which of the three new HRM challenges and four critical dependent variables does this issue most closely address?

3. HR managers have several disciplines of responsibilities— which disciplines does this case directly and indirectly address?

4. Given the feast/famine cycle in the oil supplier industry, what trends and issues in HR address the necessity of retaining these firms’ best employees?

5. The people quoted in the case are all CEO’s of their firms and not HRM managers. Why would CEO’s concern themselves with HR issues if these issues are the responsibility of HR managers?

References


(2) Ibid.


(5) Ibid.

(6) Ibid.

Case written by Herbert Sherman, Long Island University
SKILL BUILDER 1-1 GETTING TO KNOW YOU

Objectives
1. To get acquainted with some of your classmates
2. To gain a better understanding of what the course covers
3. To get to know more about your instructor

Skills
The primary skills developed through this exercise are as follows:
1. HR management skill—Human relations
2. SHRM 2016 Curriculum Guidebook—A: Employee Relations

Procedure 1 (5–8 minutes)
Break into groups of five or six, preferably with people you do not know. Have each member tell the group his or her name and two or three significant things about himself or herself. Then have all group members ask each other questions to get to know each other better.

Procedure 2 (4–8 minutes)
Can everyone in the group address every other person by name? If not, have each member repeat his or her name. Then each person in the group should repeat the names of all the group members until each person knows everyone’s first name.

Application
What can you do to improve your ability to remember people’s names?

Procedure 3 (5–10 minutes)
Elect a spokesperson for your group. Look over the following categories and decide on some specific questions you would like your spokesperson to ask the instructor from one or more of the categories. The spokesperson will not identify who asked the questions. You do not have to have questions for each area.

• Course expectations. What do you expect to cover or hope to learn from this course?
• Doubts or concerns. Is there anything about the course that you don’t understand?
• Questions about the instructor. List questions you’d like to ask the instructor to get to know him or her better.

Procedure 4 (10–20 minutes)
Each spokesperson asks the instructor one question at a time until all questions have been answered. Spokespeople should skip questions already asked by other groups.

Apply It
What did I learn from this experience? How will I use this knowledge in the future?

SKILL BUILDER 1-2 COMPARING HR MANAGEMENT SKILLS AND HR RESPONSIBILITIES

Objective
To better understand the importance of good HR management skills and implementing HR responsibilities effectively

Skills
The primary skills developed through this exercise are as follows:
1. HR management skills—Conceptual and design
2. SHRM 2016 Curriculum Guidebook—A: Employee Relations

HR Management Skills and HR Responsibilities

<table>
<thead>
<tr>
<th>Best Supervisor or Boss</th>
<th>Worst Supervisor or Boss</th>
</tr>
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<td>Technical Skills</td>
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<td>Conceptual and Design Skills</td>
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<td>Business Skills</td>
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<td>Legal Considerations Responsibilities</td>
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<td>Labor Cost Control Responsibilities</td>
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<td>Leadership and Motivation Responsibilities</td>
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<td>Training and Development Responsibilities</td>
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Appraisal and Promotion Responsibilities
Safety and Security Responsibilities

Based on your own experiences with a good boss and a poor one, what do you believe are the key differences between good and poor managers?

Apply It
What did I learn from this exercise? How will I use this knowledge in the future?

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