

# 1

## Human Resource Management in Organizations

*After you have read this chapter, you should be able to:*

- Define human capital and identify the seven categories of HR activities.
- Discuss how organizational culture and HR are related and identify four areas that are part of these relationships.
- Explain how organizational ethical issues affect HR management.
- Provide an overview of six challenges facing HR today.
- Describe how the major roles of HR management are being transformed.
- Explain the key competencies needed by HR professionals and why certification is important.

## The Challenges and Crises Facing HR Management



(PhotoLink/Photodisc/Getty Image)

**D**uring the past few years, economic downturns, industry crises, bank failures, closings of plants and stores, changes in global operations, and other factors have significantly affected organizations, managers, and Human Resource (HR) management professionals. For HR and other executives, these changes have led to decisions about layoffs, reductions in work hours, and cuts or elimination of some employee benefits. HR is facing a different world because of these problems.

Other issues have created different workforce strategies as well. A recent survey found that the highest-demand jobs include jobs like registered nurse, elementary and secondary school teacher, accountant and auditor, general and operations manager, network software engineer, and jobs that contain significant professional responsibilities. The increased demand for these jobs has been caused by economic shifts in staffing that have affected manufacturing, retail, and other industries.

These examples illustrate why HR must change. Organizational and HR executives, managers, and employees are dealing in various ways with major issues. According to surveys, some of the biggest problems include:

- Adjusting benefits programs due to increasing costs
- Attracting and retaining key employees
- Planning for replacement of “baby boomers” when they retire
- Using talent management to train and develop capabilities of employees for future job needs

- Dealing with the expanded personal and organizational use of HR technology through blogs, wikis, twitters, text-messaging, and other formats
- Complying with revised and changing federal, state, and local legal requirements affecting discrimination, treatment errors, unionization, and other issues

The manner in which all these conflicting issues are managed can influence how HR plans and contributes to organizational culture and performance.<sup>1</sup>

As the HR Headline indicates, managing people in changing organizations is part of what is currently being done by supervisors, managers, and executives. People as *human assets* are the “glue” that holds all the other assets, such as financial and physical ones, together and guides their use to better achieve results. Certainly, the cashiers, supervisors, and other employees at Wal-Mart or Walgreen’s or the doctors, nurses, receptionists, technical professionals, and other employees at a hospital allow all the other assets of their organization to be used to provide customer or patient services. How effectively people at all levels contribute to organizational results is part of the challenge. Managing people as human resources is essential in organizations of all sizes and types.

As a field, human resource management is undergoing significant transformation. **Human resource (HR) management** is designing management systems to ensure that human talent is used effectively and efficiently to accomplish organizational goals. Whether employees are in a big company with thousands of jobs or a small nonprofit agency, managing people in an organization is about more than simply administering a pay program, designing training, or avoiding lawsuits. If human resources are to be an important part of successfully competing in the marketplace, a different level of thinking about HR management is necessary. Productive, creative people working in flexible, effective organizations that provide rewarding work for individuals is important for all managers, not just those in HR departments. People in organizations can be a core competency.

**Human resource (HR) management** Designing management systems to ensure that human talent is used effectively and efficiently to accomplish organizational goals.

## HUMAN RESOURCES AS ORGANIZATIONAL CORE COMPETENCY

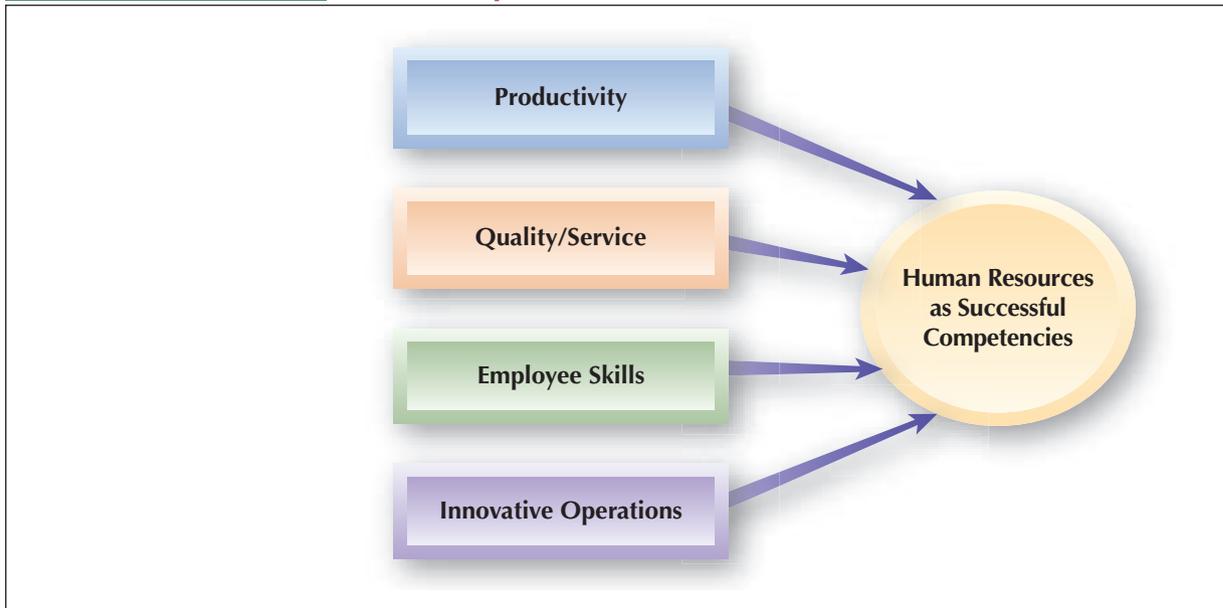
The development and implementation of specific organizational strategies must be based on the areas of strength in an organization. Referred to as *core competencies*, those strengths are the foundation for creating a competitive advantage for an organization. A **core competency** is a unique capability that creates high value and differentiates an organization from its competition.

Figure 1-1 shows some possible areas where human resources may become part of core competencies. Certainly, many organizations have identified that having their human resources as core competencies differentiates them from their competitors and is a key determinant of competitive advantages.<sup>2</sup>

**Core competency** A unique capability that creates high value and differentiates an organization from its competition.

FIGURE 1-1

## Core Competencies in Possible HR Areas



## Human Capital and HR

Human capital is not solely the people in organizations—it is what those people bring and contribute to organizational success. **Human capital** is the collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organizational workforce.

Sometimes human capital is called *intellectual capital* to reflect the thinking, knowledge, creativity, and decision making that people in organizations contribute. For example, firms with high intellectual capital may have technical and research employees who create new biomedical devices, formulate products that can be patented, or develop new software for specialized uses. All these organizational contributions illustrate the potential value of human capital. A few years ago, a Nobel prize-winning economist, Gary Becker, expanded the view of human capital by emphasizing that countries managing human capital better are more likely to have better economic results.<sup>3</sup>

The importance of human capital in organizations can be seen in various ways. One is sheer costs. In some industries, such as the restaurant industry, employee-related expenditures may exceed 60% of total operating costs. With such significant levels comes an increasing need to measure the value of human capital and how it is changing through HR metrics, discussed in Chapter 2.

## HR Functions

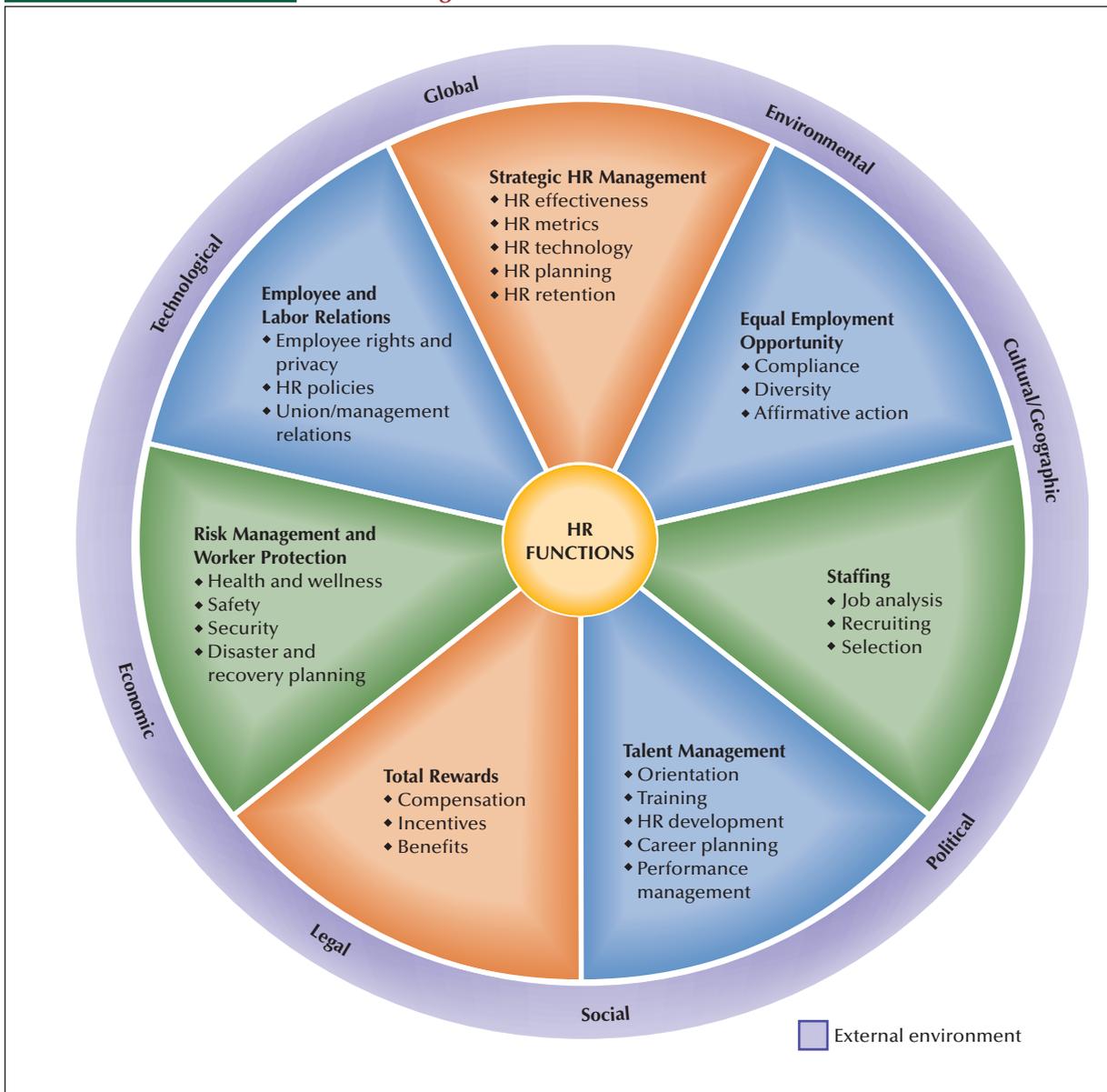
HR management can be thought of as seven interlinked functions taking place within organizations, as depicted in Figure 1-2. Additionally, external forces—legal, economic, technological, global, environmental, cultural/geographic, political, and social—significantly affect how HR functions are designed, managed, and changed. The functions can be grouped as follows:

- **Strategic HR Management:** As part of maintaining organizational competitiveness, *strategic planning for HR effectiveness* can be increased

**Human capital** The collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organizational workforce.

FIGURE 1-2

## HR Management Functions



through the use of *HR metrics* and *HR technology*. These topics are covered in Chapter 2.

- **Equal Employment Opportunity:** *Compliance* with equal employment opportunity (EEO) laws and regulations affects all other HR activities. The nature of EEO is discussed in Chapter 3.
- **Staffing:** The aim of staffing is to provide a sufficient supply of qualified individuals to fill jobs in an organization. *Workers, job design, and job analysis* lay the foundation for staffing by identifying what *diverse people* do in their jobs and how they are affected by them. Through *HR planning*, managers anticipate the future supply of and demand for employees and the nature of workforce issues, including the *retention* of employees. These factors are used when *recruiting* applicants for job openings. The *selection*

process is concerned with choosing qualified individuals to fill those jobs. These staffing activities are discussed in Chapters 4, 5, 6, and 7.

- **Talent Management and Development:** Beginning with the *orientation* of new employees, talent management and development includes different types of *training*. Also, *HR development* and *succession* planning of employees and managers is necessary to prepare for future challenges. *Career planning* identifies paths and activities for individual employees as they move within the organization. Assessing how well employees perform their jobs is the focus of *performance management*. Activities associated with talent management are examined in Chapters 8, 9, and 10.
- **Total Rewards:** *Compensation* in the form of *pay*, *incentives*, and *benefits* rewards people for performing organizational work. To be competitive, employers develop and refine their basic *compensation* systems and may use *variable pay programs* such as incentive rewards. The rapid increase in the cost of *benefits*, especially health care benefits, will continue to be a major issue for most employers. Compensation, variable pay, and benefits activities are discussed in Chapters 11, 12, and 13.
- **Risk Management and Worker Protection:** Employers must address various workplace risks to ensure protection of workers by meeting legal requirements and being more responsive to concerns for workplace *health* and *safety*. Also, workplace *security* has grown in importance along with *disaster and recovery planning*, and these activities are examined in Chapter 14.
- **Employee and Labor Relations:** The relationship between managers and their employees must be handled legally and effectively. *Employer and employee rights* must be addressed. It is important to develop, communicate, and update *HR policies and procedures* so that managers and employees alike know what is expected. In some organizations, *union/management relations* must be addressed as well. Activities associated with employee rights and labor/management relations are discussed in Chapters 15 and 16.



#### LOGGING ON

##### International Association for Human Resource Information Management (IHRIM)

The International Association for Human Resource Information Management (IHRIM) is the world's leading clearinghouse for the HRMS industry for information management, systems issues, trends, and technology. Visit its website at [www.ihrim.org](http://www.ihrim.org).

## HR MANAGEMENT'S CONTRIBUTING ROLE

Human Resources can create value and impact organizational results more in some organizations than others. Being the core competency mentioned earlier, HR may aid organizations in a number of ways. Given the changes in economic situations, workers, workforce challenges, and other factors, employers can face significant reputation problems. One survey of global senior managers in 20 countries found that more than 60% indicated they had less trust in their corporations than a year before.<sup>4</sup> This study illustrates why HR must be at the heart of enhancing organizational culture.

### Organizational Culture and HR

The ability of an organization to use its human capital as a core competency depends in part on the organizational culture that is operating. **Organizational culture** consists of the shared values and beliefs that give members of an organization meaning and provide them with rules for behavior. The culture of an

**Organizational culture**  
The shared values and beliefs in an organization.

organization is seen in the norms of expected behaviors, values, philosophies, rituals, and symbols used by its employees, and it evolves over a period of time. Only if an organization has a history in which people have shared experiences for years does a culture stabilize. A relatively new firm, such as a business existing for less than 2 years, may not have developed a stabilized culture.

**HR Values and Organizational Cultures** Central to organizational culture are *values* that are inherent in the ways organizations and their members treat people both inside and outside the organization. Similar values are likely to exist with some executives, managers, and HR professionals, as well, which can affect the nature of the organizational culture.

Values may be used to define opportunities, plan strategies, and view operational concerns, as highlighted in Chapter 2. Values in an organizational culture can become relatively constant and enduring over time. Newcomers learn the values and culture from the senior employees; hence, the rules of behavior are perpetuated. These rules may or may not be beneficial, so the values and culture can either facilitate or limit performance. They also affect employee morale and how conflicts are resolved.<sup>5</sup>

**Competitive Advantage of Organizational Culture** Organizational culture should be seen as the “climate” of the organization that employees, managers, customers, and others experience. This culture affects service and quality, organizational productivity, and financial results. One facet of the culture of the organization, as viewed by the people in it, is that culture may affect the attraction and retention of competent employees.<sup>6</sup>

Alignment of the organizational culture and HR helps organizational performance. One competitive aspect of an organizational culture is creativity and innovation. Efforts in this area can enhance the organizational culture by developing or revising current and new products and services, acquiring new businesses, and performing other activities with competitive advantages.<sup>7</sup>



**Global Cultural Factors** Cultural forces represent an important concern affecting international HR management. One only has to look at the conflicts caused by politics, religion, and ethnicity in Africa, the Middle East, and other parts of the world to see the importance of culture in international organizations. Convincing individuals from different religious, ethnic, or tribal backgrounds to work together in a global firm may be difficult in some areas.

One widely used way to classify and compare cultures was developed by Geert Hofstede, a Dutch scholar and researcher. Hofstede conducted research on more than 100,000 IBM employees in 53 countries, and he defined five dimensions useful in identifying and comparing cultures:<sup>8</sup>

- Inequality in power
- Individualism/group orientation
- Masculinity/femininity
- Uncertainty avoidance
- Long-term/short-term orientation

Differences in many other facets of culture could be discussed, but it is enough to note that international HR managers and professionals must recognize that cultural dimensions differ from country to country and even within countries. Therefore, the HR activities appropriate in one culture or country may have to be altered to fit appropriately into another culture, country, or geographic area.

## Organizational Productivity

HR management can play a significant role in organizations by helping to create a culture that emphasizes effectiveness and productivity. In its most basic sense, **productivity** is a measure of the quantity and quality of work done, considering the cost of the resources used. Productivity can be a competitive advantage because when the costs to produce goods and services are lowered by effective processes, lower prices can be charged or more revenue made. Better productivity does not necessarily mean more output; perhaps fewer people (or less money or time) are used to produce the same amount.

One useful way of measuring the productivity of human resources is to consider **unit labor cost**, which is computed by dividing the average cost of workers by their average levels of output. Using unit labor costs, one can see that paying relatively high wages still can result in a firm being economically competitive if high productivity levels are achieved. Low unit labor costs can be a basis for a strategy focusing on human resources. Productivity and unit labor costs can be evaluated at the global, country, organizational, departmental, or individual level as part of various HR measurement metrics.

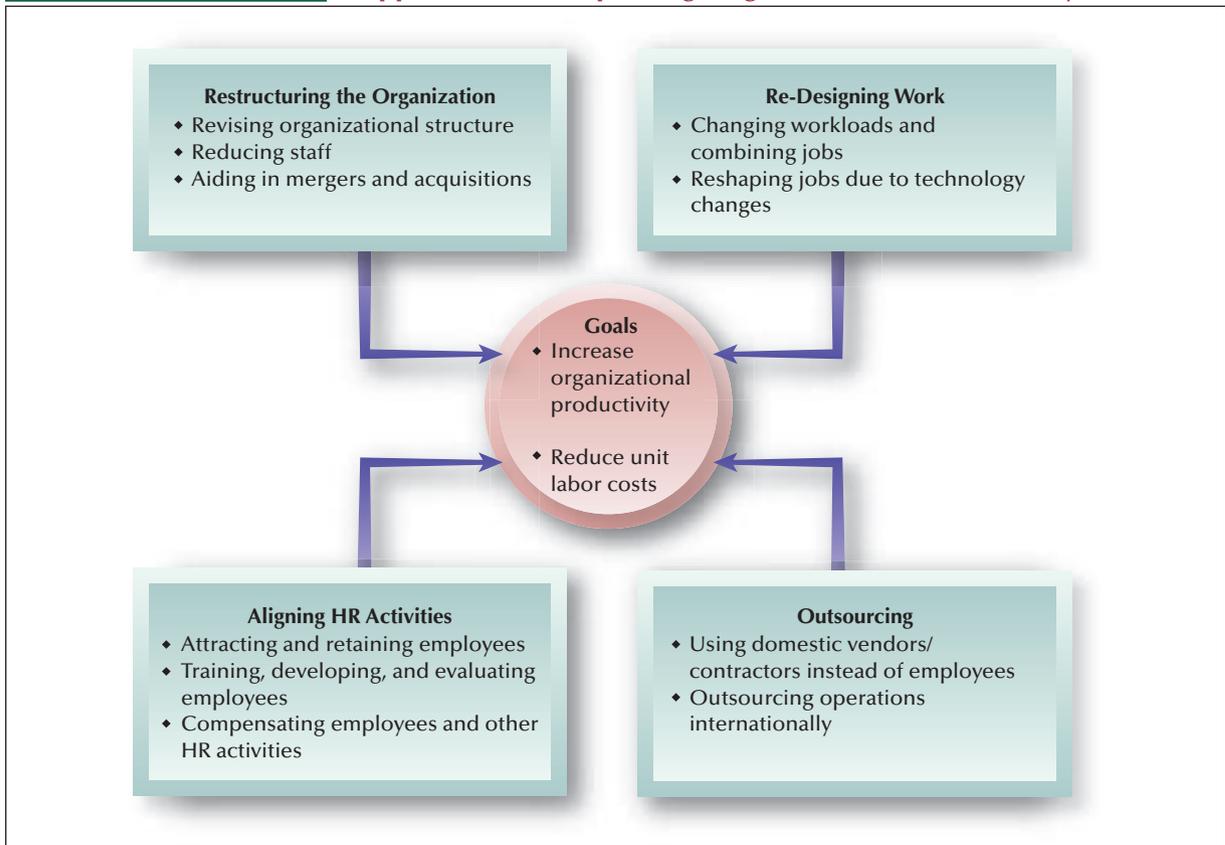
**Productivity** Measure of the quantity and quality of work done, considering the cost of the resources used.

**Unit labor cost** Computed by dividing the average cost of workers by their average levels of output.

**Improving Organizational Productivity** Productivity at the organizational level ultimately affects profitability and competitiveness in a for-profit organization and total costs in a not-for-profit organization. Perhaps of all the resources used for productivity in organizations, the ones often most closely scrutinized are the human resources. Examples as indicated in Figure 1-3 of

FIGURE 1-3

### Approaches to Improving Organizational Productivity



HR management efforts designed to enhance organizational productivity are as follows:

- *Organizational restructuring* involves eliminating layers of management and changing reporting relationships, as well as cutting staff through downsizing, layoffs, and early retirement buyout programs. That has become a concern in a number of industries as economic factors have changed.<sup>9</sup>
- *Redesigning work* often involves having fewer employees who work longer hours and perform multiple job tasks. It may also involve replacing workers with capital equipment or making them more efficient by use of technology or new processes.
- *Aligning HR activities* means making HR efforts consistent with organizational efforts to improve productivity. This alignment includes ensuring that HR functions are not working against productivity.
- *Outsourcing analyses* involve HR in conducting cost-benefit analyses to justify outsourcing. Additional factors may include negotiating with outsourcing vendors, ensuring that contractors domestically and internationally are operating legally and appropriately, and linking organizational employees to the employees of the outsourcing firm. Outsourcing is discussed further in Chapter 2.

## Social Responsibilities and HR

Organizational influences have changed as individuals, employers, governmental agencies, and other entities have evolved. Social responsibility and networking have become more prevalent as organizational culture issues.

Part of HR management is to ensure that social responsibility is integrated into the organizational culture. Both explicit and implicit requirements are needed.<sup>10</sup> The explicit requirements include specific regulations, policies, and training. The implicit ones aid the organizational culture in encouraging appropriate organizational behavior when dealing with customers, suppliers, employees, and others.

**HR Advantages and Social Responsibilities** Corporate social responsibility by HR has numerous advantages. One of the most important is the ability to attract and retain employees.<sup>11</sup> Socially responsible jobs are increasingly popular, especially with college students, who will be future workers. One survey by Panetta Institute for Public Policy found that almost half of the college students had their greatest interest in working for a more socially responsible corporation, while others wanted to work for governmental or nonprofit organizations.<sup>12</sup> These statistics indicate how attracting individuals with social responsibilities before hiring may lead to lower turnover and higher productivity when they become employees.

Sustainability is a key part of social responsibility, as well as playing a key HR role in dealing with economic challenges. **Sustainability** is being able to continue to operate, survive, and adjust to significant changes. Balancing business needs and social factors, such as layoffs, job losses, business reputations, ethics, and other factors makes sustainability a part of HR in changing business environments.<sup>13</sup>

Another evolving area in which HR is playing a social responsibility role is in creating a “green” culture. Although that may seem unusual, participating in environmental improvement efforts can enhance employees’ views of the

**Sustainability** Being able to continue to operate, survive, and adjust to significant changes.

## “Growing Green” in HR



Getting employees involved in green efforts is growing. Such efforts may affect the organizational corporate image with customers, employees, and throughout the business community in the area. Also, these programs can result in reduced operational costs linked to HR policies on recycling, creating less waste and pollution, reducing lighting and power usage, and many other means. According to a survey of 2,500 hiring managers, green programs also may create more jobs for employee environmental specialists.

Firms that have emphasized green have found that the effects on attracting, retaining, and motivating workers of all types can be positive. For instance, General Electric highlights its “Ecomagination” on its recruiting website. In Chicago a number of firms in different industries offer green-job training

programs for environmental specialists, as well as other participants.

A broader value of playing a key green role is that it can result in more organizational strategic emphasis. Organizations such as Mitsubishi International, Google, Emory University, and others have established sustainability officers to lead environmental efforts. For instance, Google switched a California facility to more solar power, guided by those officers.

HR has a key role in green efforts. The need to communicate, train, and enforce the relevant green requirements with employees and managers throughout the organization is important. Also, safety and health issues may be affected by these efforts. In summary, HR management will have an increasingly green role in both large and small companies.<sup>14</sup>

social responsibility of a firm. Participation in different types of these efforts also can aid in recruiting employees, especially those who have higher views of such firms.<sup>15</sup> As the HR Perspective discusses, the role of HR in green efforts is growing in importance.



**Global Social Responsibility and HR** As organizations have more and more workers and businesses in various countries, social responsibility globally is becoming more of an HR issue. Global practices of social responsibility are often conducted through HR and may include collecting/donating money for local charities or national disasters and numerous other activities. Doing these activities results in higher organizational images globally, better employee morale and loyalty, and more competitive advantages with consumers.<sup>16</sup>

## Customer Service and Quality Linked to HR

Linking HR to social responsibility, customer service, and quality significantly affects organizational effectiveness. Having managers and employees focus on customers contributes significantly to achieving organizational goals and maintaining competitive advantages. In most organizations, service quality is greatly influenced by individual employees who interact with customers. Employee job satisfaction also can be influenced by positive customer satisfaction.<sup>17</sup> Customers often consider continuity of customer service representatives as important when making marketing and sales decisions.

Unfortunately, overall customer satisfaction with sales quality has declined in the United States and other countries. For example, the decline in customer

satisfaction has affected many of the U.S. airlines. Even though some airlines have made efforts to improve services, customers continue to be rather skeptical of the improvements in the industry.<sup>18</sup>

## Employee Engagement and HR Culture

What is evident from the previous discussions is that the engagement of employees is a crucial goal and link to an effective organizational culture and HR's role in it. **Employee engagement** is the extent to which individuals feel linked to organizational success and how the organization performs positively. Numerous studies have shown that engaged employees are less likely to quit, more likely to encourage other persons to become employees, and more likely to commit to activities positively outside of their organizations. One study found that highly engaged employees are almost 80% more likely to be top performers and miss fewer work days.<sup>19</sup> The unfortunate lack of a positive culture can lead to more employee dissatisfaction, turnover, poor service, and other undesirable outcomes and behaviors. That is why employee engagement is such a crucial part of effective HR management and is linked to social networking.

**Social Networking and Engagement** An integral part of employee engagement is social networking. This networking involves communicating to other employees, nonwork friends, community contacts, and others. Previously, social networking primarily was done through personal contacts as well as oral communications. However, networking has become a massive issue for employees and employers as technology has expanded through e-mailing, text-messaging, twitters, blogs, and many other formats.

Some employees, especially younger ones, use such technology to communicate almost constantly with others. This expansive use of technological methods may create both good and bad images for employees and employers, as well as work-related legal issues. One survey by Deloitte found that 60% of executives believe they should know how workers use network profiles. Also, 75% of employers indicated that using social networks online makes creating a negative company image easier.<sup>20</sup>

However, some organizations have found that using social networks online can aid in recruiting new employees. Use of various types of technology can lead to recruiting more people, as well as reducing recruiting costs.<sup>21</sup> The use of these technologies and issues in this area are discussed more in other chapters on specific HR resources and issues.

## ORGANIZATIONAL ETHICS AND HR MANAGEMENT

Closely linked with the strategic role of HR is the way managers and HR professionals influence the ethics of people in organizations. How those ethics affect work and lives for individuals may aid in producing more positive work outcomes.<sup>22</sup> As Figure 1-4 indicates, establishing HR ethical areas can lead to organizational and individual consequences.<sup>23</sup>

The need for great attention to ethics has grown in the past few years, as evidenced by the corporate scandals at numerous financial and investment firms in the United States and globally. These scandals illustrate that ethical lapses are not just symbolic; they affect numerous firms and employees. The

### Employee engagement

The extent to which individuals feel linked to organizational success and how the organization performs positively.

FIGURE 1-4

**Business Ethics and HR Management Consequences****LOGGING ON****Ethics & Policy Integration Centre**

The Ethics & Policy Integration Centre is an online resource for ethical and policy issues. Visit the website at [www.ethicaledge.com](http://www.ethicaledge.com).

expansion of the Internet has led to more publicity about ethical issues, including ethics electronic job boards and postings.<sup>24</sup> An increase in ethics issues has been identified by the Ethics Resource Center. One survey of 3,000 U.S. workers found that within a year, 52% had seen one incident of misconduct and 36% had observed two or more ethical violations. The survey also reported that almost 70% of their employers had done ethics training.<sup>25</sup>

## Ethical Behavior and Organizational Culture

Numerous writers on business ethics consistently stress that the primary determinant of ethical behavior is organizational culture, which is the shared values and beliefs in an organization mentioned earlier. Every organization has a culture, and that culture influences how executives, managers, and employees act in making organizational decisions. For example, if meeting objectives and financial targets is stressed, then it should not be a surprise when executives and managers fudge numbers or falsify cost records. However, a positive ethical culture exists in many organizations. When the following four elements of ethics programs exist, ethical behavior is more likely to occur:

- A written code of ethics and standards of conduct
- Training on ethical behavior for all executives, managers, and employees
- Advice to employees on ethical situations they face, often made by HR
- Systems for confidential reporting of ethical misconduct or questionable behavior

## Cisco Makes Global Ethics Important and Fun



Cisco Systems, a technology firm with more than 60,000 employees worldwide, has emphasized ethics in interesting ways. Until a few years ago, Cisco did ethics training and enforcement like many other firms by using organization-required sessions and procedures. However, Cisco now uses a constantly available ethics program through its firm communications, Internet, and even television programs similar to *American Idol*.

To conduct its ethics awareness, Cisco enables employees worldwide to view the *Ethics Idol* via television on its intranet. Cartoon individuals present different ethical situations and then have “judges” give decisions. Employees vote on the best answer to each situation. More than 10,000 Cisco employees participate voluntarily in these network analyses. Many employees look at the *Ethics Idol* after work rather than during business hours. After the employees vote, Cisco’s ethics office professionals then give the best answer

linked to Cisco company standards and compliance requirements.

Using these creative and entertaining means has enhanced awareness of ethical issues throughout the firm. A new ethics document has been updated regularly, and more than 90% of Cisco employees have become certified in reviewing the code of the firm. Merging ethics issues, technology, and regular interactive training has led to ethical understanding and behavior by Cisco employees. Other firms have similar programs, but Cisco’s efforts are a model of ethical training and engagement.

This creative ethics program is an expansion of Cisco’s corporate responsibility efforts. For years Cisco has been a leader in the “Corporate Citizens” listing on business ethics, and one of only three firms that have been recognized every year. Although other firms have ethics programs, Cisco’s broad efforts illustrate how expanding ethical training and engagement of employees can be effective.<sup>26</sup>

An ethical business culture is based first on organizational mission and values. Other related factors can include shareholders, long-term perspectives, process integrity, and leadership effectiveness.<sup>27</sup> The roles of boards, CEOs, other executives, and HR leaders are vital in setting the culture for ethics globally as well as locally. Training of employees is crucial, and how they respond to situations may be linked to their expectations, motivations, and other factors.<sup>28</sup> As the HR Best Practices indicates, Cisco has emphasized ethics using creative and effective means throughout its global business world.



## Ethics and Global Differences

Differences in legal, political, and cultural values and practices in different countries often raise ethical issues for global employers who must comply with both their home-country laws and the laws of other countries. With the changes in the global economy in the past few years, a France-based entity, the Organization for Economic Cooperation (OECD), has emphasized the effects of ethics. The OECD has recommended that global multinational firms establish and implement stricter ethical standards to aid business development.<sup>29</sup>

The different legal, political, and cultural factors in other countries can lead to ethical and legal conflicts for global managers. Some global firms have established guidelines and policies to reduce the payments of bribes, but even

those efforts do not provide detailed guidance on handling the situations that can arise.

## HR’s Role in Organizational Ethics

Organizations that are seen as ethical in the way they operate have longer-term success. Because people in organizations are making ethical decisions on a daily basis, HR management plays a key role as the “keeper and voice” of organizational ethics. All managers, including HR managers, must deal with ethical issues and be sensitive to how they interplay with HR activities. Instead of relying just on HR policies or laws, people must be guided by values and personal behavior “codes,” including these two questions:

- Does the behavior or result meet all applicable *laws, regulations, and government codes*?
- Does the behavior or result meet both *organizational standards* and *professional standards* of ethical behavior?

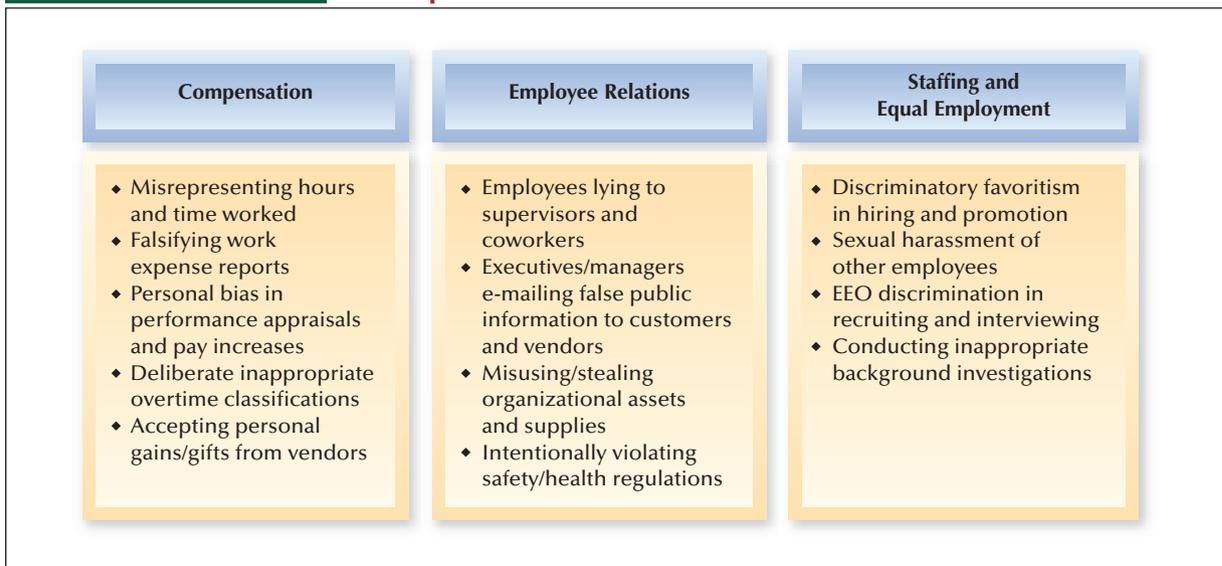
There are a number of different views about the importance of HR in ensuring that ethical practices, justice, and fairness are present throughout HR practices. Figure 1-5 identifies some of the most frequent areas of ethical misconduct involving HR activities.

Ethical issues pose fundamental questions about fairness, justice, truthfulness, and social responsibility. Just complying with a wider range of requirements, laws, and regulations cannot cover every ethical situation that executives, managers, HR professionals, and employees will face. Yet, having all the elements of an ethics program may not prevent individual managers or executives from engaging in or failing to report unethical behavior. Even HR staff members may be reluctant to report ethics concerns, primarily because of fears that doing so may affect their current and future employment.

Critical for guiding ethical decisions and behavior is training. Firms such as Best Buy, Caterpillar, and others have training for all employees via the Internet or in person. How to address difficult and conflicting situations is part

**FIGURE 1-5**

**Examples of HR-Related Ethical Misconduct Activities**



of effective HR management training efforts.<sup>30</sup> To help HR professionals deal with ethical issues, the Society for Human Resource Management has developed a code of ethics for its members and provides information on handling ethical issues and policies.<sup>31</sup>

**HR Ethics and Sarbanes-Oxley** The Sarbanes-Oxley Act (SOX) was passed by Congress to make certain that publicly traded companies follow accounting controls that could reduce the likelihood of illegal and unethical behaviors. A number of HR facets must be managed in line with SOX. The biggest issues are linked to executive compensation and benefits, but SOX sections 404, 406, 802, and 806 require companies to establish ethics codes, develop employee complaint systems, and have antiretaliation policies for employees who act as whistle blowers to identify wrongful actions. HR has been involved in routing people through the massive compliance verification effort that has occurred.

Numerous other local, state, and federal laws may relate to organizational and employee ethical issues. Some additional federal laws include the False Claims Act, Foreign Corrupt Practices Act, and others. Given all these laws, regulations, and issues, a broad study of ethics is philosophical, complex, and beyond the scope of this book. The intent here is to concisely identify ethical aspects of HR management. Various ethical issues in HR management are also highlighted throughout the text as appropriate.

## CURRENT AND FUTURE HR MANAGEMENT CHALLENGES

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As the way HR is managed in organizations changes, some challenges are affecting all employers. Responding effectively requires a competent HR presence to deal with the challenges. A wide range of factors are putting more planning, administrative, and cost pressures on organizations both in the United States and globally. Some of these new challenges and increased pressures are discussed next.

### Organizational Cost Pressures and Restructuring

An overriding theme facing managers and organizations is to operate in a “cost-less” mode, which means continually looking for ways to reduce costs of all types—financial, operations, equipment, and labor. Pressures from global competitors have forced many U.S. firms to close facilities, use international outsourcing, adapt their management practices, increase productivity, and decrease labor costs in order to become more competitive. The growth of information technology, particularly that linked to the Internet, has influenced HR management as it handles the number, location, and required activities of employees.

These shifts have caused some organizations to reduce the number of employees, while at the same time scrambling to attract and retain employees with different capabilities than were previously needed. Responding to organizational cost pressures and restructurings, as well as the other HR challenges, has resulted in the transformation of HR management in organizations.

### Economics and Job Changes

The shifts in the U.S. and global economy in the past years have changed the number and types of jobs present in the United States. The recession in

2007–2009 affected many industries such as automotive and financial firms. In general, the United States has continued to have private- and public-sector jobs that are service economy in nature, and many of the additional jobs to be filled in the next several years will be in the service industry rather than manufacturing firms.

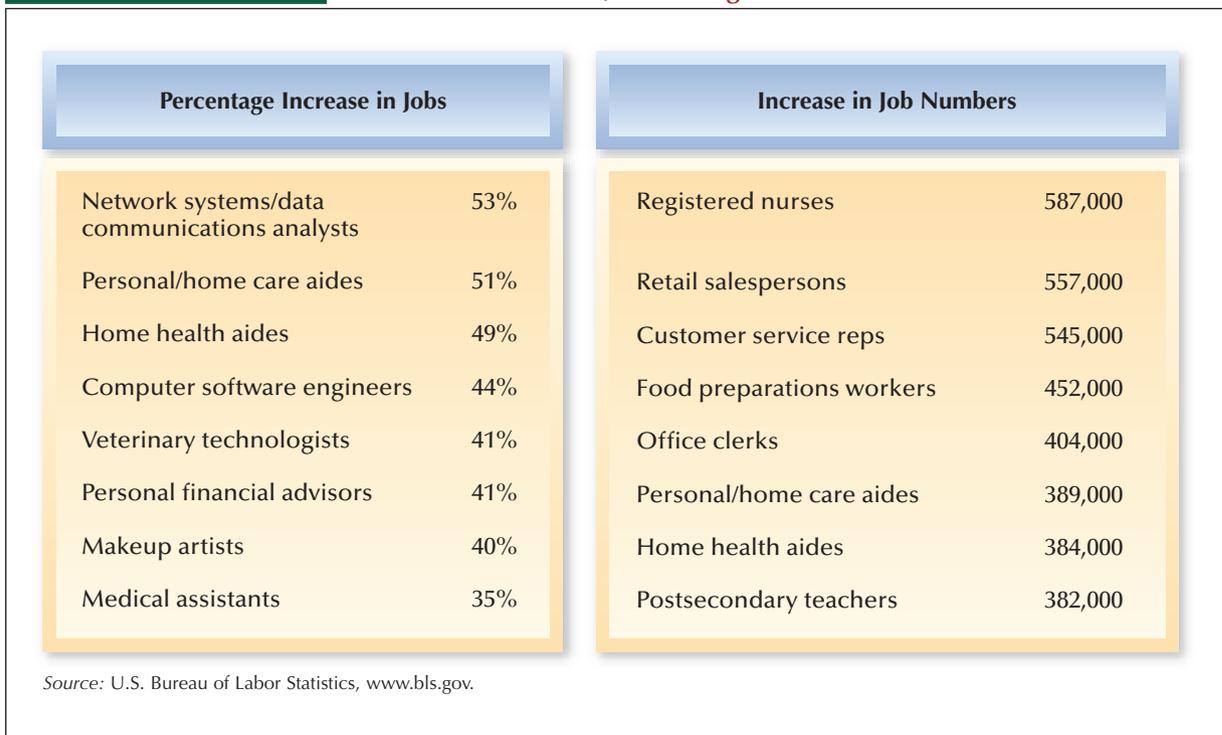
**Occupational Shifts** Projections of growth in some jobs and decline in others illustrate the shifts occurring in the U.S. economy. Figure 1-6 lists occupations that are expected to experience the greatest growth in percentage and numbers for the period ending in 2016. Most of the fastest-growing occupations percentage-wise are related to information technology and health care. However, when the growth in the number of jobs is compared to the percentage growth, an interesting factor is evident. The highest growth of jobs by percentage is in occupations that generally require more education and expertise training, whereas the numerical growth of several jobs is in occupations requiring less education and jobs that are lower-skilled.

Another aspect of the shifting economy is revealed in the types of jobs that have the greatest decline in numbers. They include stock clerks, cashiers, packers, file clerks, and farmers/ranchers.<sup>32</sup> These declines reflect shifts in economic factors and how those jobs are being combined with others or eliminated due to business changes.

**Workforce Availability and Quality Concerns** Various parts of the United States face significant workforce shortages that exist due to an inadequate supply of workers with the skills needed to perform the jobs being added. It may not be that there are too few people—only that there are too few with many

FIGURE 1-6

Fastest Growth in Job Changes to 2016



of the skills being demanded. For instance, one survey of more than 2,000 employers found that the hardest jobs to fill are engineers, nurses, technicians, teachers, and sales representatives.<sup>33</sup>

Even though many Americans are graduating from high school and college, employers are concerned about the preparation and specific skills of new graduates. Comparisons of international test results show that students in the United States perform slightly above average in math and science, but *well below* students in some other directly competitive nations. Also, graduates with degrees in computers, engineering, and the health sciences remain in short supply relative to the demand for them. That is another reason why international outsourcing has grown. Unless major improvements are made to U.S. educational systems, U.S. employers will be unable to find enough qualified workers for the growing number of skilled jobs of all types. That is why talent management and development has become one of the most important issues emphasized by HR management.

**Talent Management and Development** A broad focus of HR professionals is on talent management and development to address the workforce and job changes. Despite the economic pressures, the emphasis on talent management has appeared on the HR scene in organizations of all sizes and in all industries. Some forces behind the emphasis on talent management have included:

- The impending retirement of baby boomers worldwide
- Shortages of skilled workers of certain types and at certain levels
- Increasing global competition for human resource talent
- Growth in technology capable of automating talent management processes

These and other factors have forced organizations to develop a more strategic, integrated, and automated approach to talent management.

Whether it involves attracting, recruiting, and hiring qualified talented individuals, or training and developing employees for current and future jobs, talent management is crucial. A survey by McKinsey and Company of 200 companies found that better-performing firms hired more qualified people, established more specific performance expectations, and worked to link employees to corporate culture and strategies.<sup>34</sup> Further discussion of talent management occurs in later chapters.

**Growth in Contingent Workforce** *Contingent workers* (temporary workers, independent contractors, leased employees, and part-timers) represent about one-fourth of the U.S. workforce. Many employers operate with a core group of regular employees who have critical skills, and then expand and shrink the workforce by using contingent workers.

The number of contingent workers has grown for many reasons. One reason is the economic factor. Temporary workers are used to replace full-time employees, and many contingent workers are paid less and/or receive fewer benefits than regular employees. For instance, omitting contingent workers from health care benefits saves some firms 20% to 40% in labor costs.

Another reason for the increased use of contingent workers is that it may reduce legal liability for some employers. As more and more employment-related lawsuits have been filed, employers have become more wary about adding regular full-time employees. By using contract workers, including those in other countries, employers may



#### LOGGING ON

##### Development Dimensions International

Development Dimensions International provides resources for globalization of organizations and HR. Visit the website at [www.ddiworld.com](http://www.ddiworld.com).

reduce a number of legal issues regarding selection, discrimination, benefits, discipline, and termination.



## Globalization of Organizations and HR

The internationalization of business has proceeded at a rapid pace. Many U.S. firms, both large and small, receive a substantial portion of their profits and sales from other countries. Firms such as Coca-Cola, Exxon, Mobil, Microsoft, and General Electric derive half or more of total sales and profits from outside the United States. The reverse is also true. For example, Toyota, based in Japan, has grown its market share and its number of jobs in the United States and North America. Also, Toyota, Honda, Nissan, and other Japanese automobile manufacturers, electronics firms, and suppliers have maintained operations in the United States, whereas Chrysler and General Motors have had to reduce major operations.

The globalization of business has shifted from trade and investment to the integration of global operations, management, and strategic alliances, which has significantly affected the management of human resources. Individuals from other countries are employees. There are three types of global workers: expatriate, host-country national, and third-country national.

An **expatriate** is a citizen of one country who is working in a second country and employed by an organization headquartered in the first country. Experienced expatriates can provide a pool of talent that can be tapped as the organization expands its operations more broadly into even more countries.

A **host-country national** is a citizen of one country who is working in that country and employed by an organization headquartered in a second country. Host-country nationals often know the culture, politics, laws, and business customs better than an outsider would.

A **third-country national** is a citizen of one country who is working in a second country and employed by an organization headquartered in a third country. For example, a U.S. citizen working for a British oil company as a manager in Norway is a third-country national. Staffing with third-country nationals shows a truly global approach.

Attracting global talent has created political issues. For instance, U.S. employers are having a difficult time hiring enough engineers and educated tech workers, but U.S. federal legislation restricts the quota for high-skilled workers to be admitted from other countries in light of the large amount of illegal immigration and high numbers of unemployed U.S. workers that are occurring.

**Global Economic Factors** Economic factors are linked to different political, legal, cultural, and economic systems. In many developed countries, especially in Europe, employment restrictions and wage levels are high. When labor costs in the United States are compared with those in Germany and Korea, the differences are significant, as Figure 1-7 shows. As a result of these differences, many U.S. and European firms are moving jobs to lower-wage countries and other continental locations.

Critics of globalization cite the extremely low wage rates paid by the international firms and the substandard working conditions that exist in some underdeveloped countries. Various advocacy groups have accused global firms of being “sweatshop employers.” Thus, some global employers have made efforts to ensure that foreign factories adhere to more appropriate HR standards, while others have not. Global employers counter that even though the

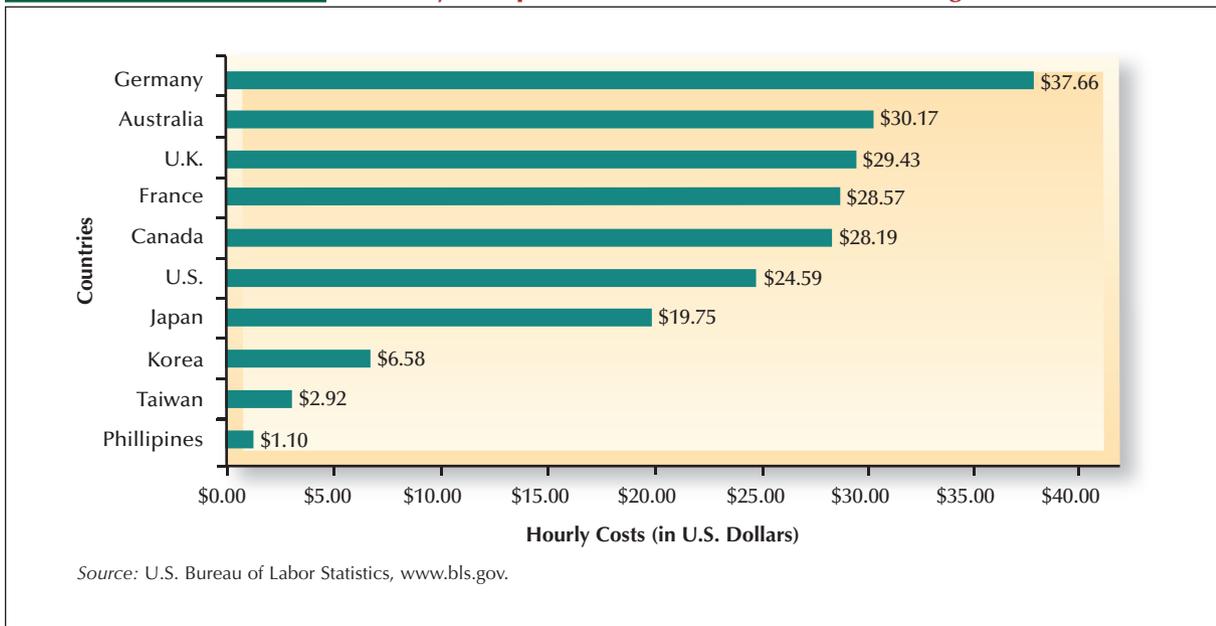
**Expatriate** A citizen of one country who is working in a second country and employed by an organization headquartered in the first country.

**Host-country national** A citizen of one country who is working in that country and employed by an organization headquartered in a second country.

**Third-country national** A citizen of one country who is working in a second country and employed by an organization headquartered in a third country.

FIGURE 1-7

## Hourly Compensation Costs for Manufacturing Production Workers



wage rates in some countries are low, their employees often receive the highest wages and experience the best working conditions that exist in those local countries. Also, they argue, more people have jobs in the host countries, which allows them to improve their living standards.

**Global Legal and Political Factors** Firms in the United States, Europe, and elsewhere are accustomed to relatively stable political and legal systems. However, many nations function under turbulent and varied legal and political systems. International firms in many industries have dramatically increased security for both operations and employees. Terrorist threats and incidents have significantly affected airlines, travel companies, construction firms, and even retailers such as McDonald's. HR management must respond to such concerns as part of transnational operations and risk management efforts.

Therefore, HR-related efforts vary in character and stability. Compliance with laws and company actions on wages, benefits, union relations, worker privacy, workplace safety, and other issues illustrate the importance of HR management when operating transnationally. As a result, it is crucial for HR professionals to conduct a comprehensive review of the political environment and employment laws before beginning operations in a country. The role and nature of labor unions should be a part of that review.

## Workforce Demographics and Diversity

The U.S. workforce has been changing dramatically. It is more diverse racially and ethnically, more women are in it than ever before, and the average age of its members is increasing. As a result of these demographic shifts, HR management in organizations has had to adapt to a more varied labor force both externally and internally. In addition to the issues discussed in the following sections, this growing diversity and aging of the workforce has raised employer concerns and means that HR is having to devote more time and

effort to ensuring that nondiscriminatory policies and practices are followed. The effective management of diversity issues in organizations is getting more attention, as will be highlighted in later chapters.

**Racial/Ethnic Diversity** Racial and ethnic minorities account for a growing percentage of the overall labor force, with the percentage of Hispanics equal to or greater than the percentage of African Americans. Immigrants will continue to expand that growth. An increasing number of individuals characterize themselves as *multiracial*, suggesting that the American “melting pot” is blurring racial and ethnic identities.

Racial/ethnic differences have also created greater cultural diversity because of the accompanying differences in traditions, languages, religious practices, and so on. For example, global events have increased employers’ attention to individuals who are Muslim, and more awareness and accommodation for Islamic religious beliefs and practices have become a common concern. Workforce diversity is further discussed in Chapter 4.

**Women in the Workforce** Women constitute about 50% of the U.S. workforce, but may be a majority in certain occupations. For instance, the membership of HR professionals in the Society for Human Resource Management (SHRM) is more than 75% female.<sup>35</sup> Additionally, numerous women workers are single, separated, divorced, or widowed, and therefore are “primary” income earners. A growing number of U.S. households include “domestic partners,” who are committed to each other though not married and who may be of the same or the opposite sex. Many of the women in these partnerships, as well as many who are married, have partners or spouses who also are employed.

For many workers in the United States, balancing the demands of family and work is a significant challenge. Although that balancing has always been a concern, the increased number of working women and dual-career couples has resulted in greater tensions for many workers, both male and female. Employers have had to respond to work/family concerns in order to retain employees. Responses have included greater use of job sharing, the establishment of child-care services, increased flexibility in hours, and varied work-life programs.

**Aging Workforce** In many economically developed countries, the population is aging, resulting in a significantly aging workforce. In the United States, during the second decade of the twenty-first century, a significant number of experienced employees will be retiring, changing to part-time, or otherwise shifting their employment. Replacing the experience and talents of longer-service workers is a growing challenge facing employers in all industries.

This loss of longer-service workers is frequently referred to as a “brain drain,” due to the capabilities and experience of these workers, and employers are having to develop programs to retain them, have them mentor and transfer knowledge to younger employees, and find ways for them to continue contributing by limited means. One study found that 65% of baby boomers want to continue working part-time and avoid full-time employment.<sup>36</sup>

## HR Technology

Greater use of technology has led to organizational use of a *human resource management system (HRMS)*, which is an integrated system providing information used by HR management in decision making. This terminology

emphasizes that making HR decisions, not just building databases and using technology, is the primary reason for compiling data in an information system.

**Purposes for Expanding HR Technology** The rapid expansion of HR technology serves two major purposes in organizations. One relates to administrative and operational efficiency, and the other to effectiveness. The first purpose is to improve the efficiency with which data on employees and HR activities are compiled. The most basic example is the automation of payroll and benefits activities. Another common use of technology is tracking EEO/affirmative action activities. Beyond those basic applications, the use of Web-based information systems has allowed the HR unit in organizations to become more administratively efficient and communicate more quickly to employees.

The second purpose of the use of HR technology is related to strategic HR planning. Having accessible data enables HR planning and managerial decision making to be based to a greater degree on information rather than relying on managerial perceptions and intuition.

**Greater Uses of HR Technology** The greater uses of technologies are affecting how HR activities are performed in many ways. To illustrate, numerous

## Wikis, Blogs, Twitters, and HR



The explosive growth of the Internet has resulted in many employees and managers participating in wikis, blogs, twitters, text-messaging, and other techniques. Some of the HR aspects of the Internet are highlighted here.

In a wiki, which is a widely available website for individuals to make comments, employees can communicate both positive and negative messages on many topics. Employers have used wikis, such as Wikipedia and other sources, to increase the exchange of ideas and information among a wide range of individuals. Wikis are one example of *collaborative HR*. This process of collaboration can lead to HR professionals from several different organizations jointly working to address shared business problems and interacting regularly with other professionals.

Blogs are Web logs kept by individuals or groups to post and exchange information on a range of topics. People create and use more than one million blogs daily. The subjects of blogs vary. An example of company use would be CEOs or HR executives exchanging information with employees immediately on operational or other important occurrences. Many bloggers are young and college-educated. Often, HR

professionals are not as involved in blogs as some other employees, but they are having to ramp up their awareness and usage of this format.

An even newer technology tool is twitter, which is a microblog that allows people to send and receive tweets. Basically, a tweet is a quick message of less than 140 characters through which individuals quickly send information to others. Whether such information is valid, positive or negative, or useful is a topic of continuing controversy. Some firms use twitters to send out policy changes, competitive services details, and many other organizational messages, but individuals can use twitters inappropriately and send critical, obscene, or even harassing details to other employees.

These technology tools and others create significant HR issues, including ethical and disciplinary actions. Firms must establish policies and regulations on how all of this technology can and should be used. For example, IBM has established guidelines directing that the use of twitters must be responsible, protect privacy, and correct mistakes made by individual tweets. Throughout this text, the various HR technology means will be discussed as they apply to specific HR activities.<sup>37</sup>

firms provide a Web-based employee self-service program to their worldwide staffs. Employees can go online to access and change their personal data, enroll in or change benefits programs, and prepare for performance reviews. As discussed in the HR Online box, the explosive use of wikis, blogs, twitters, and other technology is affecting HR significantly. Additional examples of how various HR activities are being transformed by technology will be presented throughout the chapters of this text.

## Measuring HR Impact through Metrics

Traditionally, much of HR has focused on administrative activities, and on counting them, such as the number of people hired, total benefits costs, and so on. However, as HR has grown in importance and changed, it has had to develop measurements of its results, including financial, in order to justify its activities. Whether it is measuring the cost of hiring someone, calculating the turnover costs when persons leave the firm, or doing a return-on-investment analysis of training results and expenses, HR has had to become more analytical and develop *metrics* that measure the HR efforts, much like financial officers measure their responsibilities. HR metrics are discussed as part of Chapter 2, as well as throughout the text.

# MANAGING HR IN ORGANIZATIONS

In a real sense, *every* manager in an organization is an HR manager. Sales managers, head nurses, drafting supervisors, college deans, and accounting supervisors all engage in HR management, and their effectiveness depends in part on the success of organizational HR systems. However, it is unrealistic to expect a nursing supervisor or an engineering manager to know about the nuances of equal employment regulations or how to design and administer a compensation and benefits system. For that reason, many organizations have people in an HR department who specialize in these activities, but HR in smaller organizations may be somewhat different.

## Smaller Organizations and HR Management

In the United States and worldwide, small businesses employ more than 50% of all private-sector employees and generate new jobs each year.<sup>38</sup> In surveys over several years by the U.S. Small Business Association (SBA), the issues identified as significant concerns in small organizations were consistent: having sufficient numbers of qualified workers, the rapidly increasing costs of benefits, rising taxes, and compliance with government regulations. Notice these concerns have an HR focus, especially when governmental compliance with wage/hour, safety, equal employment, and other regulations are considered. HR efforts through recruiting, employee empowerment, and training have been found to contribute positively to sales growth in various small service industry firms.<sup>39</sup> As a result, for many smaller organizations, HR issues are often significant.

However, not every small organization is able to maintain an HR department. In a company with an owner and only three employees, the owner usually takes care of HR issues. As an organization grows, often a clerical employee is added to handle payroll, benefits, and required HR recordkeeping.

If new employees are hired, supervisors and managers usually do the recruiting, selecting, and training. These HR activities reduce the time that supervisors and managers have to focus on operations, sales and marketing, accounting, and other business areas. Thus, for both small and large employers, numerous HR activities are being outsourced to specialized vendors. Typically, at 80 to 100 employees, an organization will need to designate a person to specialize in HR management. Other HR jobs are added as the company gets larger and as HR technology increasingly becomes available for small- and medium-sized organizations.

## HR Cooperation with Operating and Line Managers

In departments such as accounting, network technology, operations, customer service, and others, cooperation between line and operating managers, supervisors, executives, and HR staff is necessary for HR efforts to succeed. In many cases, the HR professionals and staff members design processes and systems that the operating managers must help implement. The exact division of labor between HR and other departments varies from organization to organization.

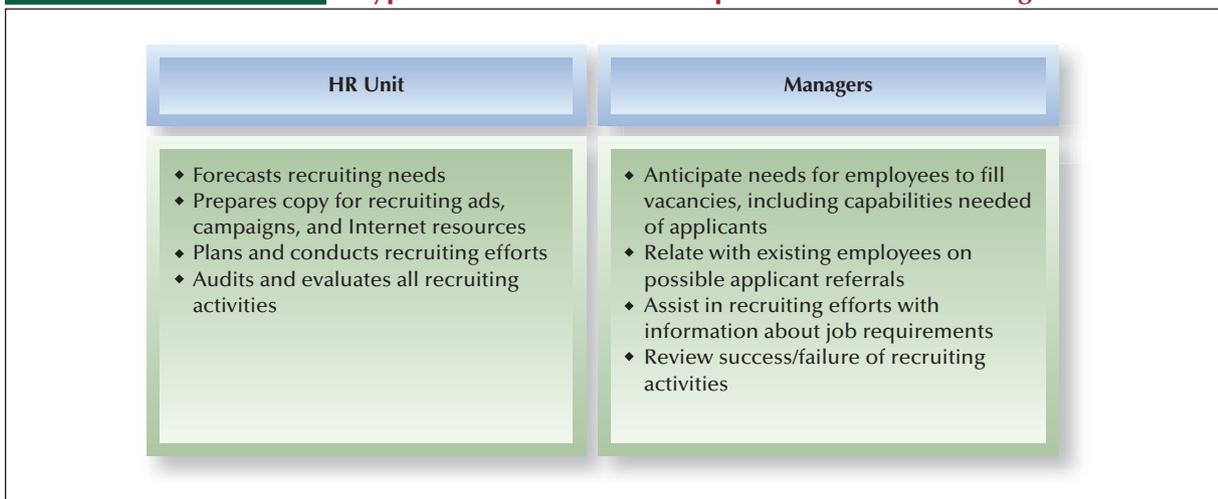
Throughout this book, figures labeled “Typical Division of HR Responsibilities” illustrate how HR responsibilities in various areas may be divided in organizations having specialized HR departments. The first such example, Figure 1-8, shows how the responsibilities for a familiar activity—recruiting planning—might be divided between the HR department and the operating managers in an organization.

## How HR Is Seen in Organizations

For a number of years, HR departments and individuals have been viewed in different ways, both positive and negative. HR management is necessary, especially due to the huge number of government regulations enacted over the past decades. However, the role of protecting corporate assets against the many legal issues often puts HR management in an enforcement role that may be seen as restrictive and administratively focused.

**FIGURE 1-8**

### Typical Division of HR Responsibilities: Recruiting



**Negative Views of HR** The legal compliance role and other administrative aspects of HR staff can create conflicting views. The negative perception by some employees, managers, and executives is that HR departments and personnel are too bureaucratic, too administratively focused, too detail-oriented, too costly, and not effective change agents.<sup>40</sup> Various authors have referred to HR departments as “dinosaurs” or “gatekeepers” who build silos and resist changes. These critics do not see HR as making significant organizational contributions.

Unfortunately, these views are accurate in some HR departments. Those HR departments concern themselves with the “administrivia” of personnel policies and practices—which companies are increasingly outsourcing to contractors who can do these tasks more cheaply and efficiently. Frequently, HR managers are seen as being more concerned about *activities* than *results*, and HR efforts as too seldom linking to employee, managerial, and business performance organizational metrics. As would be expected, numerous HR professionals have criticized these views as being too negative and not what HR is actually doing in many organizations.

**Positive, Contributing Views of HR** Despite many criticisms, HR *can be* respected if done well and truly brought into the realm of business strategy. HR can and should be a special part of any organization, which means viewing the people and their talents as an opportunity for creating greater organizational competitive advantages. That is why HR in many organizations has recognized the need to change even more to overcome the negative images. As previously indicated, economic, global, workforce, and other aspects are increasingly creating challenging practices for HR professionals.<sup>41</sup>

Key for a more positive view is for HR to expand as a business contributor, as will be highlighted in the following sections. One leader in creating this view, among others, has been Dave Ulrich. He and other advocates have emphasized that HR needs to become more of a change agent and shift positively how HR impacts organizations.<sup>42</sup> The different roles of HR and how they need to be changing and expanding are discussed next.

## HR MANAGEMENT ROLES

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Several roles can be fulfilled by HR management. The nature and extent of these roles depend on both what upper management wants HR management to do and what competencies the HR staff have demonstrated. Three roles are typically identified for HR. The focus of each of them, as shown in Figure 1-9, is as follows:

- *Administrative*: Focusing on clerical administration and recordkeeping, including essential legal paperwork and policy implementation.
- *Operational and employee advocate*: Managing most HR activities in line with the strategies and operations that have been identified by management and serving as employee “champion” for employee issues and concerns.
- *Strategic*: Helping to define the strategy relative to human capital and its contribution to organizational results.

The administrative role traditionally has been the dominant role for HR. However, as Figure 1-9 indicates, a broader transformation in HR is needed so that significantly less HR time and fewer HR staff are used just for clerical

FIGURE 1-9

## Roles of HR Management



administration. The emphasis on the operational and employee advocate role is growing in most organizations. The greatest challenge is for more strategic HR management. The biggest barriers to HR becoming more strategic, according to one study, are transaction of administrative tasks (42%), lack of strategic HR involvement (31%), and insufficient HR budgets (22%).<sup>43</sup> A closer look at each of the HR roles and how these roles are being transformed follows.

## Administrative Role of HR

The administrative role of HR management has been heavily oriented to processing and recordkeeping. This role has given HR management in some organizations the reputation of being staffed by paper shufflers who primarily tell managers and employees what cannot be done. If limited to the administrative role, HR staff are seen primarily as clerical and lower-level administrative aides to the organization. Two major shifts driving the transformation of the administrative role are greater use of technology and outsourcing.

**Technology Transforming HR** To improve the administrative efficiency of HR and the responsiveness of HR to employees and managers, more HR functions are becoming available electronically or are being done on the Internet using Web-based technology. Technology is being used in most HR activities, from employment applications and employee benefits enrollments to e-learning using Internet-based resources.

**Outsourcing of HR** Increasingly, many HR administrative functions are being outsourced to vendors. This outsourcing of HR administrative activities has grown dramatically in HR areas such as employee assistance (counseling), retirement planning, benefits administration, payroll services, and outplacement services.

The primary reasons why HR functions are outsourced are to save money on HR staffing, to take advantage of specialized vendor expertise and technology, and to be able to focus on more strategic HR activities. These activities are being outsourced to firms both in the United States and worldwide. Such contracting for HR services is an evolving practice that continues to change the administrative HR functions for many employers, as discussed further in Chapter 2.

## Operational and Employee Advocate Role for HR

HR often has been viewed as the “employee advocate” in organizations. As the voice for employee concerns, HR professionals traditionally may serve as “company morale officers,” but they spend considerable time on HR “crisis management,” dealing with employee problems that are both work-related and not work-related. Employee advocacy helps ensure fair and equitable treatment for employees regardless of personal background or circumstances. Sometimes the HR advocate role may create conflict with operating managers. However, without the HR advocate role, employers could face even more lawsuits and regulatory complaints than they do now.

The operational role requires HR professionals to cooperate with various departmental and operating managers and supervisors, to identify and implement needed programs and policies in the organization. Operational activities are tactical in nature. Compliance with equal employment opportunity and other laws is ensured, employment applications are processed, current openings are filled through interviews, supervisors are trained, safety problems are resolved, and wage and benefit questions are answered. These efforts require matching HR activities with the strategies of the organization.

## Strategic Role for HR

Differences between the operational and strategic roles exist in a number of HR areas. The strategic HR role means that HR professionals are proactive in addressing business realities and focusing on future business needs, such as strategic planning, compensation strategies, the performance of HR, and measuring its results. However, HR often does not help formulate strategies for the organization as a whole; instead it merely carries them out through HR activities.

Many executives, managers, and HR professionals are increasingly seeing the need for HR management to become a greater strategic contributor to the “business” success of organizations. Even not-for-profit organizations, such as governmental and social service entities, must manage their human resources in a business-oriented manner. In fact, it has been suggested that the HR function should be managed as its own business. Therefore, a large number of senior HR executives are selected from outside HR experience. Doing this means that these individuals have a business focus, not just HR experience.<sup>44</sup>

HR should be responsible for knowing what the true cost of human capital is for an employer. For example, it may cost two times key employees’ annual salaries to replace them if they leave. Turnover is something HR can help control, and if it is successful in saving the company money with good retention and talent management strategies, those may be important contributions to the bottom line of organizational performance.

**“Contributing at the Table”** The role of HR as a *strategic business partner* is often described as “having a seat at the table,” and contributing to the strategic directions and success of the organization. That means HR is involved in *devising* strategy in addition to *implementing* strategy. Part of HR’s contribution is to have financial expertise and to produce financial results, not just employee morale or administrative efficiencies. Therefore, a significant concern for chief financial officers (CFOs) is whether HR executives are equipped to help plan and meet financial requirements.<sup>45</sup>

However, even though this strategic role of HR is recognized, many organizations still need to make significant progress toward fulfilling it. Some examples of areas where strategic contributions can be made by HR are:

- Evaluating mergers and acquisitions for organizational “compatibility,” structural changes, and staffing needs
- Conducting workforce planning to anticipate the retirement of employees at all levels and identify workforce expansion in organizational strategic plans
  - Leading site selection efforts for new facilities or transferring operations to international outsourcing locations based on workforce needs
  - Instituting HR management systems to reduce administrative time, equipment, and staff by using HR technology
  - Working with executives to develop a revised sales compensation and incentives plan as new products or services are rolled out to customers



#### LOGGING ON

##### **HRN Management Group**

Information on strategic issues for HR, including news and success stories for key HR decision makers, is available by linking to the HRN Management Group website at [www.hronline.com](http://www.hronline.com).

## HR MANAGEMENT COMPETENCIES AND CAREERS

As HR management becomes more complex, greater demands are placed on individuals who make HR their career specialty. Despite the HR criticism and concerns mentioned earlier, a significant number of individuals have made HR their career field. Even readers of this book who do not become HR managers and professionals will find it useful to know about the competencies required for effective HR management.

### HR Competencies

The transformation of HR toward being more strategic has implications for the competencies needed by HR professionals. Views of HR have changed over the years as the needed competencies and the results have differed. Research has indicated that HR professionals at all levels need the following:<sup>46</sup>

- Strategic knowledge and impact means
- Legal, administrative, and operational capabilities
- Technology knowledge and usage abilities

Senior HR leaders may need additional capabilities and competencies. According to an overview from a SHRM study, senior HR leaders also need: (a) more business, strategic, HR, and organizational knowledge; (b) ability to lead changes due to credibility; and (c) ethical behavior and results orientation/performance.<sup>47</sup>

For individuals with HR as their career, these competencies help establish their value as professional resources. The changes in organizations and the workforce mean that HR as a career field is being altered and will continue to require more efforts by HR professionals at all levels.

### HR Management as a Career Field

A variety of jobs exists within the HR career field, ranging from executive to clerical. As an employer grows large enough to need someone to focus

primarily on HR activities, the role of the **HR generalist** emerges—that is, a person who has responsibility for performing a variety of HR activities. Further growth leads to the addition of **HR specialists**, or individuals who have in-depth knowledge and expertise in limited areas of HR. The most common areas of HR specialty, in order of frequency, are benefits, employment and recruitment, and compensation.<sup>48</sup> Appendix F contains examples of HR-related job descriptions of both a generalist and a specialist.

HR jobs can be found in corporate headquarters as well as in field and subsidiary operations. A compensation analyst or HR director might be found at a corporate headquarters. An employment manager for a manufacturing plant and a European HR manager for a global food company are examples of field and subsidiary HR professionals. The two types of jobs have different career appeals and challenges, which may affect the recruiting, selection, promotions, and development of individuals.



#### LOGGING ON

##### **HR Certification Institute**

For information on the HRCI certification process, go to [www.hrci.org](http://www.hrci.org).

## HR Professionalism and Certification

Depending on the job, HR professionals may need considerable knowledge about employment regulations, finance, tax law, statistics, and information systems. In most cases, they also need extensive knowledge about specific HR activities. The broad range of issues faced by HR professionals has made involvement in professional associations and organizations important. For HR generalists, the largest organization is the Society for Human Resource Management (SHRM). Public-sector HR professionals tend to be concentrated in the International Personnel Management Association (IPMA). Two other prominent specialized HR organizations are the WorldatWork Association and the American Society for Training and Development (ASTD).

One characteristic of a professional field is having a means to certify that members have the knowledge and competence needed in the profession. The CPA for accountants and the CLU for life insurance underwriters are examples. Certification can be valuable to individuals and useful to employers as they select and promote certified individuals.<sup>49</sup> The most well-known certification programs for HR generalists are administered by the Human Resource Certification Institute (HRCI), which is affiliated with SHRM. More than 100,000 professionals have an HRCI certification.

**HRCI Certification** The most widely known HR certifications are the Professional in Human Resources (PHR) and the Senior Professional in Human Resources (SPHR), both sponsored by HRCI. Annually, thousands of individuals take the certification exams. HRCI also sponsors a Global Professional in Human Resources (GPHR) certification. Eligibility requirements for PHR, SPHR, and GPHR certifications have been updated. These requirements, effective 2011, are shown in Figure 1-10.

Additionally, eligible individuals must pass the appropriate exam. Appendix A identifies test specifications and knowledge area covered by the PHR and SPHR. Readers of this book can identify specific competencies for the HRCI outline to aid them in getting a PHR or SPHR. Certification from HRCI also exists for global HR professionals in the GPHR. Global certification recognizes the growth in HR responsibilities in organizations throughout the world and covers appropriate global HR subject areas noted through SHRM.

**HR generalist** A person who has responsibility for performing a variety of HR activities.

**HR specialist** A person who has in-depth knowledge and expertise in a limited area of HR.

FIGURE 1-10

## HR Certifications at a Glance

The certification exams test on experience-based knowledge; therefore, you must possess a **minimum of two years of professional (exempt-level) HR experience**.

	Professional in Human Resources (PHR®)	Senior Professional in Human Resources (SPHR®)	Global Professional in Human Resources (GPHR®)
<b>Exam Eligibility Requirements</b>	Minimum of two years of professional (exempt-level) HR experience.	Minimum of two years of professional (exempt-level) HR experience.	Must hold a current PHR or SPHR certification.
	At least 51% of your daily work activities are within the HR function.	At least 51% of your daily work activities are within the HR function.	At least 51% of your daily work activities are within the HR function.
<b>Profile of a Successful Candidate*</b>	Has two to four years of professional (exempt-level) generalist experience	Has six to eight years of progressive professional (exempt-level) experience	Has at least two years of professional (exempt-level) experience in international HR practices.
	Focuses on program implementation rather than creation.	Designs and plans rather than implements.	Has core knowledge of the organization's international HR activities.
	Focuses within the HR function rather than organization-wide	Makes decisions that have an impact within and outside the organization.	Develops and implements international HR strategies that affect international HR assignments and operations.

\*In addition to meeting the exam eligibility requirements, successful exam candidates usually have the above work experience.

**WorldatWork Certifications** The WorldatWork Association has certifications emphasizing compensation and benefits. The four certifications are as follows:

- Certified Compensation Professional (CCP)
- Certified Benefits Professional (CBP)
- Certified Work-Life Professional (CWLP)
- Certified Global Remuneration (CGR)

**Other HR Certifications** Increasingly, employers hiring or promoting HR professionals are requesting certifications as a “plus.” HR professionals feel that various HR certifications give them more credibility with corporate peers and senior managers. Additional certification programs for HR specialists and generalists are sponsored by various organizations, and the number of certifications is being expanded.<sup>50</sup> For specialists, some well-known programs include the following:

- Certified Recognition Professional (CRP) sponsored by the Recognition Professionals International
- Certified Employee Benefits sponsored by the International Foundation of Employee Benefits Plans
- Certified Professional in Learning and Performance sponsored by the American Society for Training and Development
- Certified Safety Professional (CSP) and Occupational Health and Safety Technologist (OHST) sponsored by the American Society of Safety Engineers
- Certified Professional Outsourcing (CSO) provided by the Human Resource Outsourcing Association
- Certified Graphics Communications Manager (CGCM) and Certified Mail Manager (CMM) sponsored by the International Personnel Management Association

Most individuals who want to succeed in the field must update their knowledge continually. One way of staying current on HR is to tap information in current HR literature and relevant associations, as listed in Appendix B of this book. Overall, certifying knowledge is a trend in numerous professions, and HR illustrates the importance of certification by making many different types available. Given that many people may enter HR jobs with limited formal HR training, certifications help both individuals and their employers to make HR management a better performing part of their organizations.

## S U M M A R Y

- HR management ensures that human talent is used effectively and efficiently to accomplish organizational goals.
- As an organization core competency, human resources has a unique capability that creates high value and differentiates an organization from competitors in areas such as productivity, quality/service, employee skills, and innovative changes.
- Human capital is the collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organizational workforce.
- HR management activities can be grouped as follows: strategic HR management; equal employment opportunity; staffing; talent management; compensation and benefits; health, safety, and security; and employee and labor relations.
- As part of organizational culture, HR plays a significant role through affecting human values, competitive advantages, and global cultures.
- Contributions by HR can include productivity improvement, meeting social responsibilities,

- enhancing customer service and quality, and expanding employee engagement.
- Ethical behavior is crucial in HR management, and HR professionals regularly face a number of ethical issues and consequences both domestically and globally.
- Numerous HR challenges exist currently, including organizational cost pressures, economics and job changes, talent management and development, technology expansion, and measuring HR.
- All organizations need HR management, but larger ones are more likely to have a specialized HR function.
- HR management must fulfill three roles: (1) administrative, (2) operational and employee advocate, and (3) strategic.
- All levels of HR professionals need competencies in strategic knowledge and impacts; capabilities in legal, administrative, and operational areas; and technology knowledge abilities. Senior HR leaders need these areas plus others to be effective.
- Current knowledge about HR management is required for professionals in the HR career field, and professional certification has grown in importance for HR generalists and specialists.

## CRITICAL THINKING ACTIVITIES

1. Discuss several areas in which HR can affect organizational culture positively or negatively.
2. Give some examples of ethical issues that you have experienced in jobs, and explain how HR did or did not help resolve them.
3. Why is it important for HR management to transform from being primarily administrative and operational to becoming a more strategic contributor?
4. Assume you are an HR director with a staff of seven people. A departmental objective is for all staff members to become professionally certified within a year. Using Internet resources of HR associations such as [www.shrm.org](http://www.shrm.org) and [www.WorldatWork.org](http://www.WorldatWork.org), develop a table that identifies four to six certifications that could be obtained by your staff members, and show the important details for each certification.

## HR EXPERIENTIAL PROBLEM SOLVING

Your company, a growing firm in the financial services industry, is extremely sensitive to the issues surrounding business ethics. The company wants to be proactive in developing a business ethics training program for all employees both to ensure the company's reputation as an ethical company in the community and to help maintain the industry's high standards. As the HR Director and someone who values the importance of having all employees trained in the area of business ethics, you are in charge of developing the ethics training program.

It needs to be a basic program that can be presented to all employees in the company. Resources for business ethics information can be found at [www.business-ethics.org/primer1.html](http://www.business-ethics.org/primer1.html).

1. What legislative act prompted many U.S. companies to develop internal ethical policies and procedures?
2. What are key concepts related to business ethics that should be considered in the development of the ethics training program?

## C A S E

**HR, Culture, and Business Results Success at Google, Scripps, and UPS**

Firms in a variety of industries have been recognized as being among the Most Admired Companies by *Fortune* magazine. Others have been highlighted as being the Best Companies to Work For by *Fortune* or as Optimas Award winners by *Workforce Management*. These recognitions contain some common elements because of how HR management has contributed to organizational success and is being positively viewed by employees. Three examples are highlighted here.

One recognized firm is Google, which is well known by many individuals because of its Internet components. Google has an HR image as a creative contributor to business objectives through its work environment guided by HR. According to the head of HR at Google, Lazio Bock, the overriding key of HR at Google is its emphasis on organizational culture and business objectives. The focus of Google HR is on giving its employees flexibility to produce results, not just following core job requirements. Consequently, HR at Google has established innovative efforts for its people and has made the administrative part of HR efficient. Minimizing numerous HR administrative forms, data, and reports by using technology has occurred, which would be expected in a prominent technology firm.

At Google, HR communicates to its employees extensively about business objectives, organizational results, and relevant current information. Because many of the Google employees are stock shareholders also, they have a personal interest in Google being a successful business. Thus they continuously want to know the operational results by seeing current reports, data, and information. Overall, Google's HR approach is unique in comparison to the approaches at other companies recognized by *Fortune*, but its success illustrates that how HR is established and operates can be a key to organizational success.

A different firm with a variety of organizations and a strong HR culture is Scripps Network, a prominent television and communications corporation. At Scripps, HR plays a core role in establishing strategic goals and efforts. Even when Scripps has merged separate media firms, HR has focused on getting the cultures of the two entities to integrate effectively.

Several HR functions are used to support the culture and core values at Scripps. One is

an active pay-for-performance system to reward employees at higher job levels with base pay increases, annual incentives, and long-term incentives. Another key part of HR efforts at Scripps is that HR emphasizes leadership development throughout the firm. Additionally, the firm has widely used work variability efforts such as work-life balance, telecommuting, and worker flexible schedules. These are done as part of a core value at Scripps of "compassion/support."

A different firm with an extended history of effectively integrating corporate culture and HR is UPS, the transportation and logistics delivery firm that operates worldwide. Its culture is different from the cultures of Google and Scripps; however, for more than a decade, UPS has been recognized for its corporate integrity, culture, and HR inclusion with employees.

UPS has emphasized linking HR with business objectives and uses communication and intranet programs to ensure that employees are kept constantly informed on business objectives and workforce challenges. One well-recognized component at UPS is the established codes of conduct that are consistently reviewed with all employees. These reviews include specific examples of ethical situations that employees may face and how to respond to them. Annually, managers complete a "conduct code" report that asks specific questions about ethical problems that have arisen during the year.

These three firms are in different industries, have different cultures, and use a variety of HR efforts. However, each of them has been recognized for implementing HR as core to their organizational cultures and successful business results.<sup>51</sup>

**QUESTIONS**

1. How does the integration of HR with the organizational culture contribute to the success of Google, Scripps, and UPS? To find ideas, go to the corporate website for each of these companies and search for additional insights.
2. Discuss how some of the cultural facets mentioned compare to those among employers you have worked for, and explain the difference in the views of these various employers.

## SUPPLEMENTAL CASES

## Phillips Furniture

This case describes a small company that has grown large enough to need a full-time HR person. You have been selected to be the HR manager, and you have to decide what HR activities are needed and the role HR is to play. (For the case, go to [www.cengage.com/management/mathis](http://www.cengage.com/management/mathis).)

## Sysco

As a large food services and distribution firm, Sysco had to revise its HR management. Review this case and identify how the Sysco changes modified HR's importance. (For the case, go to [www.cengage.com/management/mathis](http://www.cengage.com/management/mathis).)

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