

# Human Resource Management



# Human Resource Management

**Human Resource Management includes all activities used to attract & retain employees and to ensure they perform at a high level in meeting organizational goals.**

**These activities are made up of**

1. Recruitment & selection.
2. Training and development.
3. Performance appraisal and feedback.
4. Pay and benefits.
5. Labor relations.

# Components of a HRM System

Figure 10.1



# HRM Components

- Component should be consistent with the others, organization structure, and strategy.
  - ◆ ***Recruitment:*** develop a pool of qualified applicants.
    - Selection: determine relative qualifications & potential for a job.
  - ◆ ***Training & Development:*** ongoing process to develop worker's abilities and skills.
  - ◆ ***Performance appraisal & feedback:*** provides information about how to train, motivate, and reward workers.
    - Managers can evaluate and then give feedback to enhance worker performance.

# HRM Components

- ***Pay and Benefits:*** high performing employees should be rewarded with raises, bonuses.
  - Increased pay provides additional incentive.
  - Benefits, such as health insurance, reward membership in firm.
- ***Labor relations:*** managers need an effective relationship with labor unions that represent workers.
  - Unions help establish pay, and working conditions.

**If management moves to a decentralized structure, HRM should be adjusted as well.**

# HRM Legal Environment

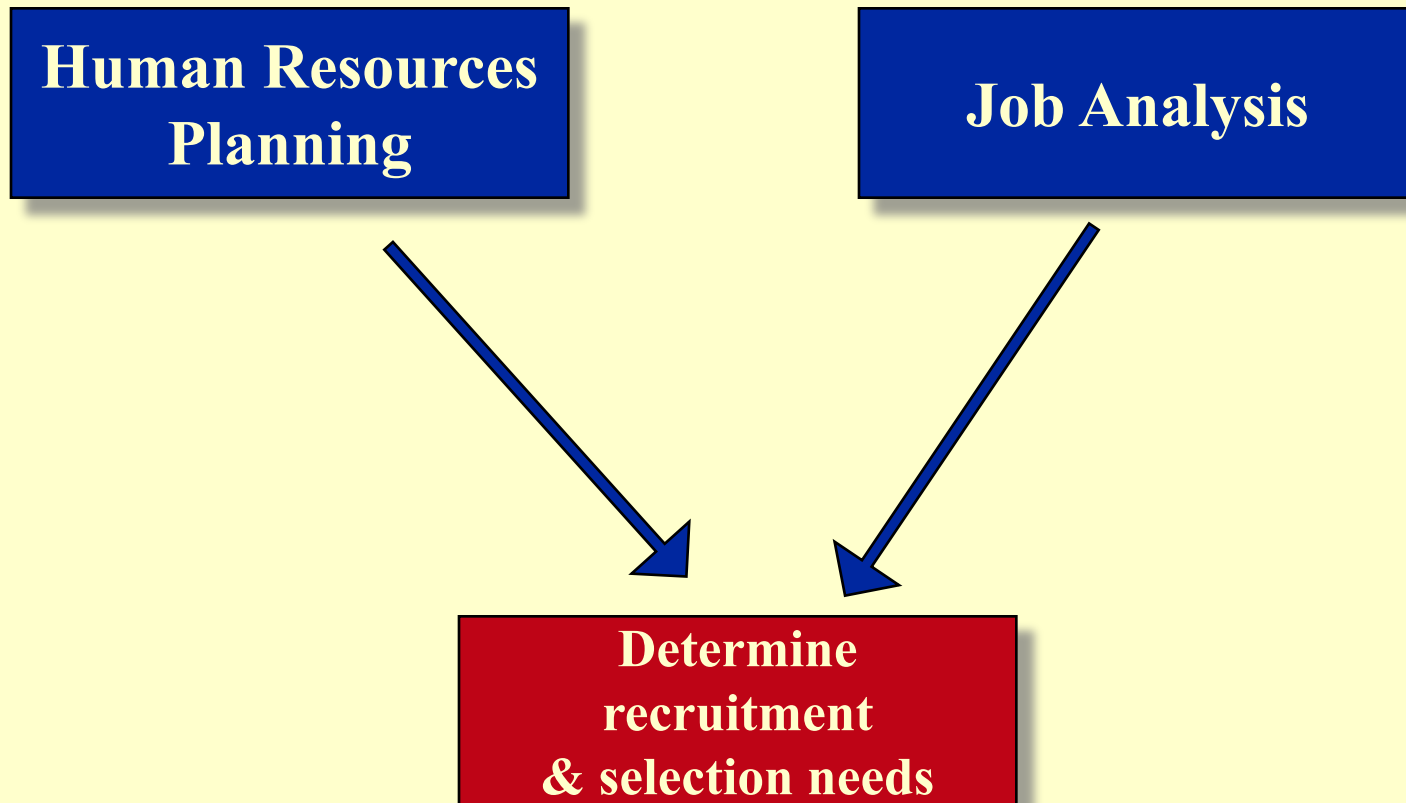
- Management of HR is a complex area. There are many federal, state and local regulations.
  - ◆ ***Equal Employment Opportunity (EEO)***: ensures all citizens have equal opportunity for employment without regard to sex, age, race, origin, religion, or disabilities.
    - Makes effective management of diversity crucial.
  - ◆ ***Equal Employment Opportunity Commission (EEOC)*** enforces laws.
    - Managers must take steps to ensure discrimination does not occur.

# Human Resource Planning

- **HR Planning includes all activities managers do to forecast current and future HR needs.**
  - Must be done prior to recruitment and selection
  - Demand forecasts made by managers estimate the number & qualifications the firm will need.
  - Supply forecasts estimate the availability and qualifications of current workers and those in the labor market.

# Recruitment & Selection

Figure 10.2





# HRM Planning: Outsourcing

- ***Outsourcing:*** managers can decide to contract with outside workers rather than hiring them.
  - Outsourcing is more flexible for the firm.
  - Outsourcing often provides human capital at a lower cost.
- ◆ ***Outsource problems:*** managers lose control over output.
  - Outsource contractors are not committed to the firm.
- ◆ Unions typically are against outsourcing that has potential to eliminate member's jobs.

# HRM Planning: Job Analysis

- *Job analysis* determines the tasks, duties and responsibilities of the job.
  - ◆ A *job analysis* should be done for each job in the organization.
  - ◆ Job analysis can be done by:
    - Observe current workers.
    - Questionnaires filled out by worker and managers.
  - ◆ Current trends are toward flexible jobs where duties are not easily defined in advance.

# Recruitment

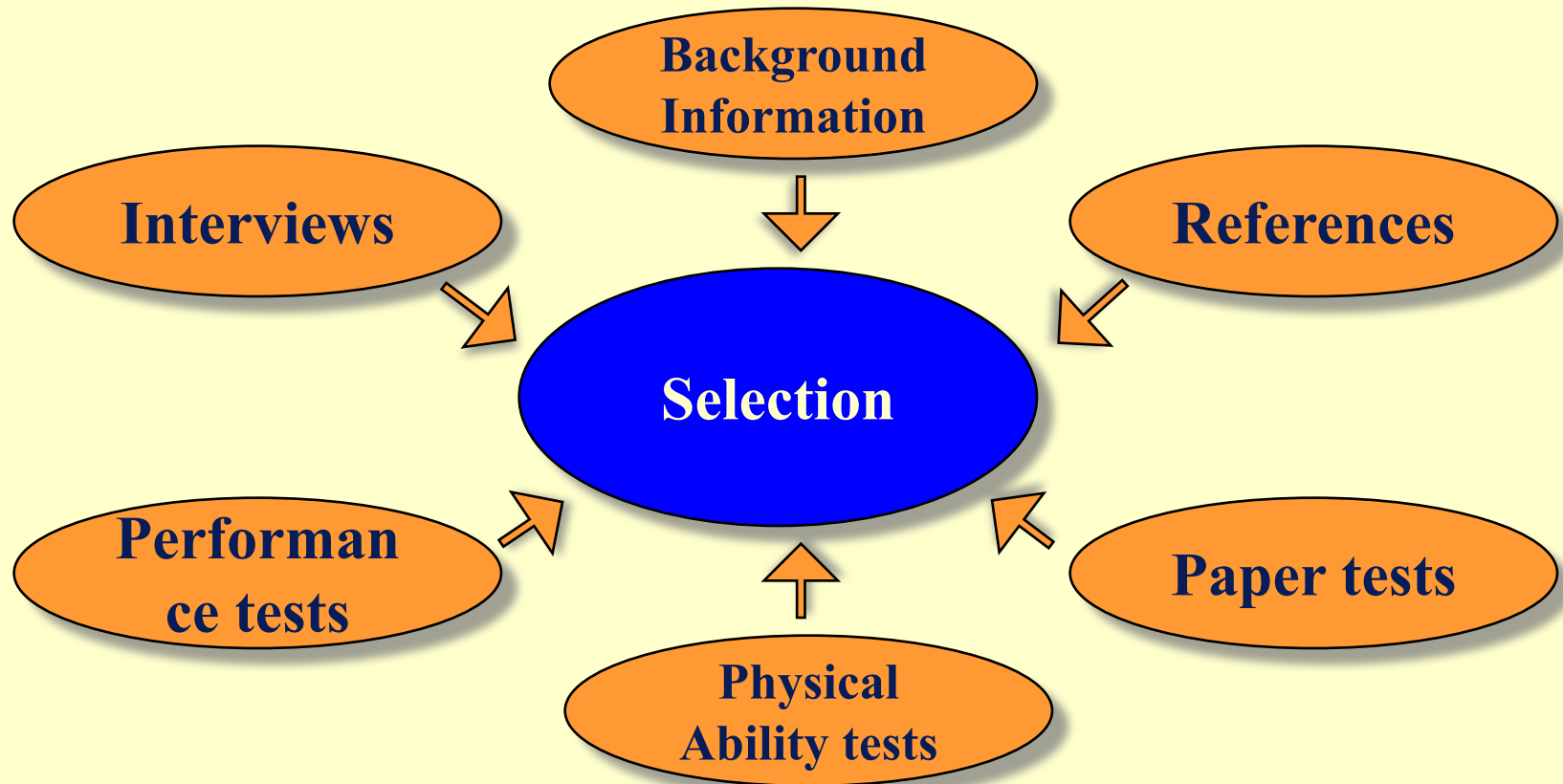
- ***External recruiting:*** managers look outside the firm for people who have not worked at the firm before.
  - ◆ Managers advertise in newspapers, hold open houses, recruit at universities, and on the Internet.
    - External recruitment is difficult since many new jobs have specific skill needs.
    - A multi-prong approach to external recruiting works best.
- ***Internal Recruiting:*** positions filled within the firm.
  - ◆ Internal recruiting has several benefits:
    - Workers know the firm's culture, may not have new ideas.
    - Managers likely already know the candidates.
    - Internal advancement can motivate employees.

# Honesty in Hiring

- **Managers may be tempted to over-rate the attractiveness of the job and firm.**
  - They feel if they are honest, person will not work there.
  - Research indicates this is a poor strategy.
- ***Realistic Job Preview*: provides an accurate overview of the job.**
  - Avoids having to hire, train and then lose workers.

# Selection Tools

Figure 10.3



# Selection Process

After a pool of applicants are identified, qualifications related to the job requirements are determined:

- ◆ ***Background Information:*** includes education, prior employment, college major, etc.
- ◆ ***Interview:*** almost all firms use one of two types:
  - Structured interview: managers ask each person the same job-related questions.
  - Unstructured interview: held like a normal conversation.
  - Usually structured interviews preferred; bias is possible.
- ◆ ***Physical Ability Test:*** measure strength & endurance.
  - Good for physically demanding jobs.

# Selection Process

- ***Paper & Pencil Tests:*** Either an ability and personality test.
  - Ability test: assess if applicant has right skills for the job.
  - Personality test: seek traits relevant to job performance.
  - Be sure test is a good predictor of job performance.
- ***Performance Tests:*** measure job performance.
  - Typing speed test is one example.
  - Assessment Center: candidates assessed on job-related activities over a period of a few days.
- ***References:*** outside people provide candid information about candidate.
  - Can be hard to get accurate information.

# Reliability & Validity

- Selection tools must be reliable and valid.
  - ◆ **Reliability:** the degree to which the tool measures the same thing each time it is used.
    - Scores should be close for the same person taking the same test over time.
  - ◆ **Validity:** Does the test measure what it is supposed to measure?
    - Example: does a physical ability test really predict the job performance of a firefighter?
  - ◆ Managers have an ethical and legal duty to develop good selection tools.

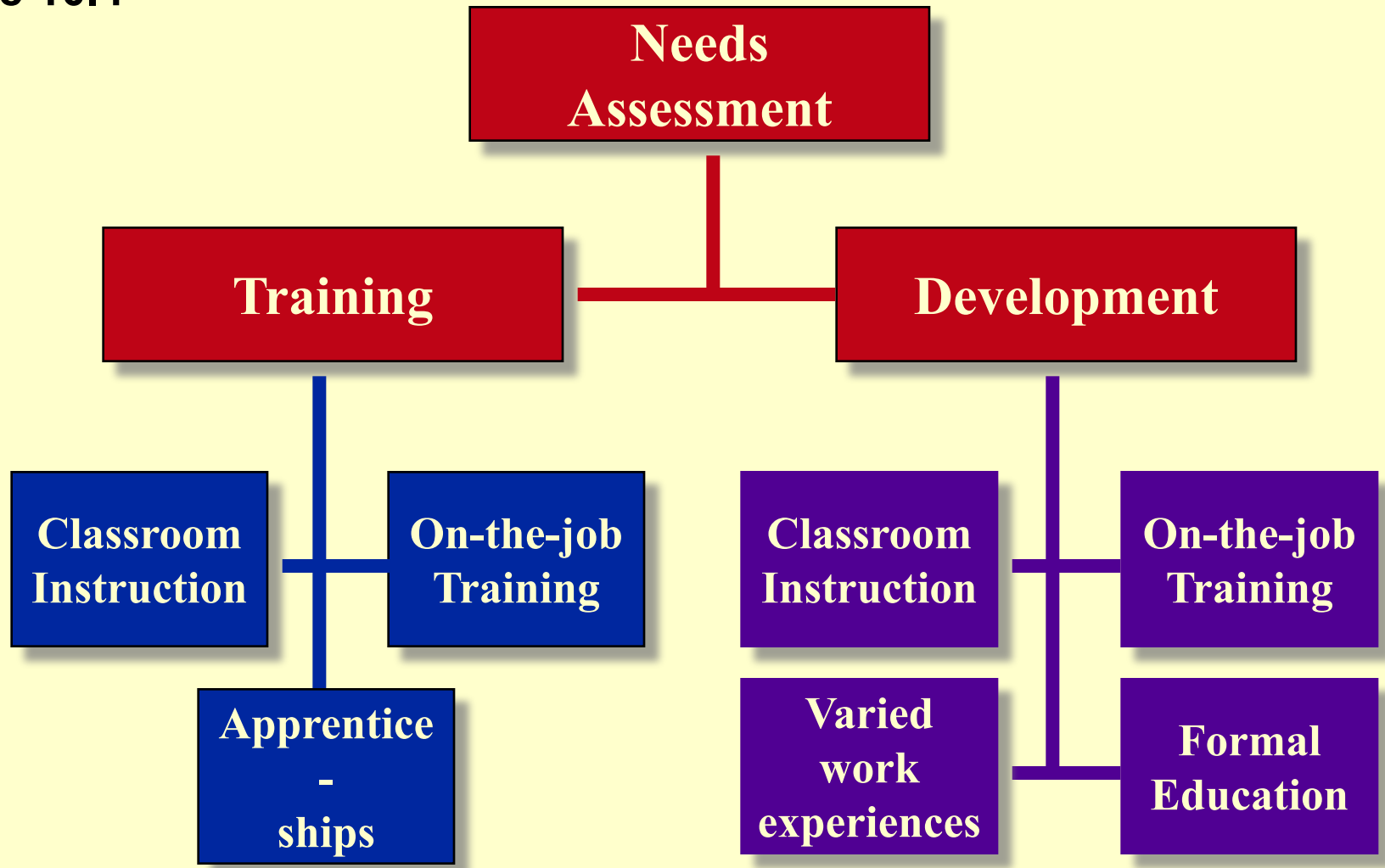


# Training & Development

- ◆ **Training:** teach organizational members how to perform current jobs.
  - Help worker's acquire skills to perform effectively.
- ◆ **Development:** build worker's skills to enable them to take on new duties.
- Training used more often at lower levels of firm, development is common with managers.
- A Needs Assessment should be taken first to determine who needs which program and what topics should be stressed.

# Types of Training

Figure 10.4



# Types of Training

- ***Classroom Instruction:*** workers acquire skills in classroom.
  - ◆ Includes use of videos, role-playing, simulations.
- ***On-the-Job Training:*** learning occurs in the work setting as worker does the job.
  - Training given by co-workers and can be done continuously.
- ***Apprenticeships:*** worker contracts with a master worker to learn a skill.

# Types of Development

- ***Varied Work Experiences:*** Top managers must build expertise in many areas.
  - Workers identified as possible top managers given many different tasks.
- ***Formal Education:*** tuition reimbursement is common for managers taking classes for MBA or similar.
  - Long-distance learning can also be used to reduce travel.

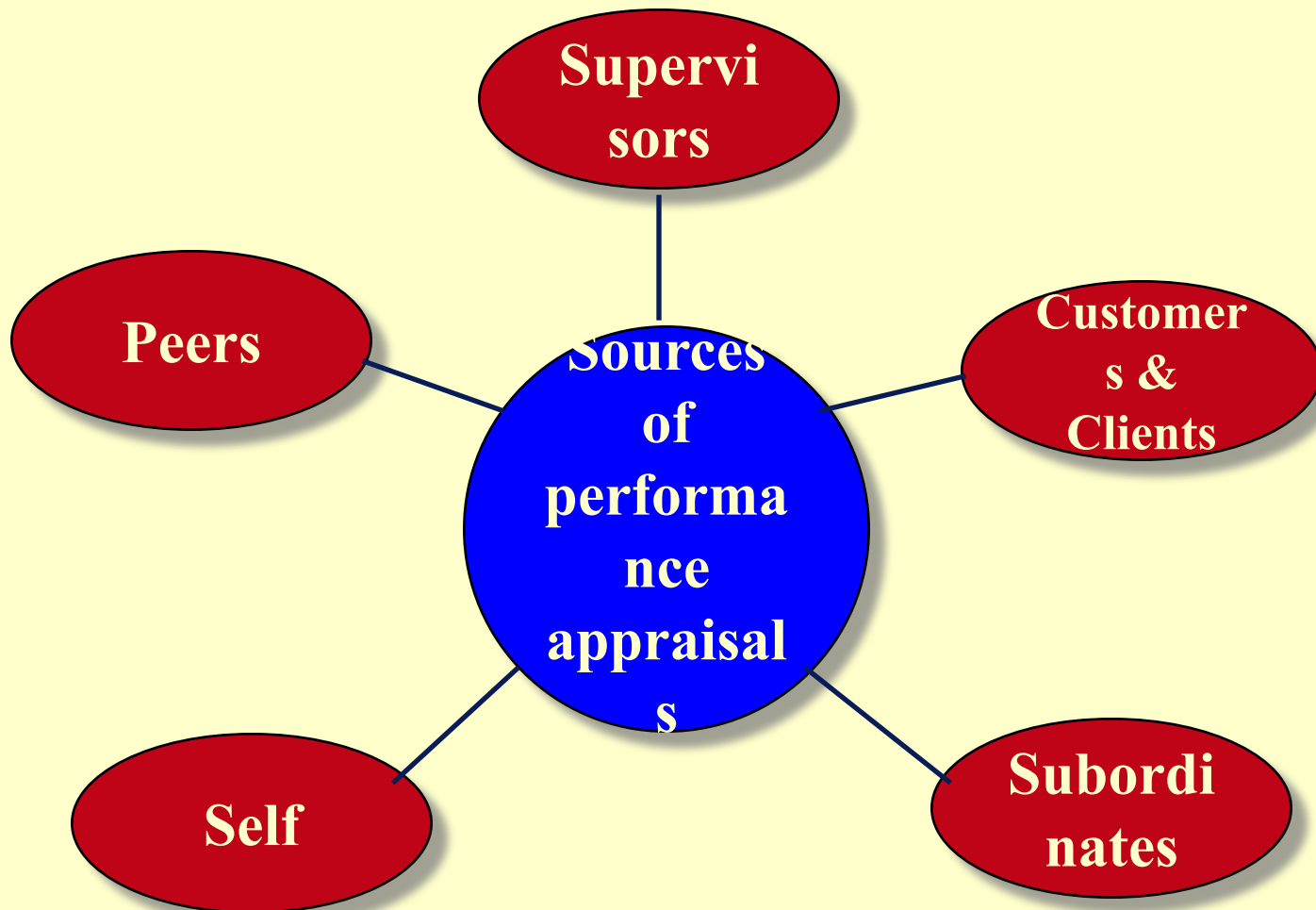
**Whatever training and development efforts used, results must be transferred to the workplace.**

# Performance Appraisal & Feedback

- ***Trait Appraisals:*** evaluate on *traits* (skills, abilities) related to the job.
  - Problem: Even though a worker has the trait, they may not use it in the job and it is hard to give feedback.
- ***Behavior Appraisals:*** *how* a worker does the job.
  - Focuses on what a worker does and provides good feedback options.
- ***Results appraisals:*** *what* a worker accomplishes.
  - Sales reps are usually evaluated on what they sell.
- ***Objective appraisals:*** based on facts (sales figures)
- ***Subjective appraisals:*** based on a manager's perceptions of traits, behavior, or results.
  - Many rating scales used to overcome subjective problems.

# Who Appraises Performance?

Figure 10.6



# Who Appraises Performance?

- ***Self:*** self appraisals can supplement manager view.
- ***Peer appraisal:*** coworker provides appraisal; common in team settings.
- ***360 Degree:*** provides appraisal from a variety of people able to evaluate a manager:
  - ◆ Peers, customers, superiors, self.
    - Need to be alert to bias from some evaluators.
- ***Effective feedback:*** appraisals must provide feedback:
- ***Formal appraisals:*** conducted at set times of the year
  - Provides valuable, but infrequent feedback.
- ***Informal appraisals:*** manager provides frequent feedback informally.

# Effective Feedback:

1. Be specific and focus on correctable behavior. Provide a suggested improvement.
2. Focus on problem-solving and improvement, not criticism.
3. Express confidence in worker's ability to improve.
4. Use formal and informal feedback.
5. Treat subordinates with respect and praise achievements.
6. Set a timetable for agreed changes.



# Pay and Benefits

- ***Pay level:*** how the firm's pay incentives compare to other firms in the industry.
  - **Managers can decide to offer low or high relative wages.**
  - ◆ **Pay Structure:** clusters jobs into categories based on importance, skills, and other issues.
- ***Benefits:*** Some are required (social security, workers comp).
  - **Others (health insurance, day care, and others) are provided at the employers option.**
  - **Cafeteria-style plan: employee can choose the best mix of benefits for them. Can be hard to manage.**

# Labor Relations

- Considers all activities managers perform to ensure there is a good relationship with labor unions.
  - ◆ **There are laws regulating some areas of employment.**
    - **Fair Labor Standards Act (1938)** prohibits child labor, sets a minimum wage and maximum working hours.
    - **Equal Pay Act (1963)** men and women doing equal work will get equal pay.
    - **Work Place Safety (1970)** OSHA mandates procedures for safe working conditions.

# Unions

**Unions represent worker's interests in organizations.**

- ◆ **Managers usually have more power over an individual worker. Workers join together in unions to try and prevent this.**
  - **Unions are permitted by the National Labor Relations Act (1935) which also created the NLRB to oversee unions.**
  - **Not all workers want unions. Union membership costs money in dues and a worker might not want to strike.**
  - **Union membership is lower today than 40 years ago.**
- ◆ ***Collective bargaining:* process unions and management go through to negotiate work agreements.**
  - **Results in a contract spelling out agreed terms.**