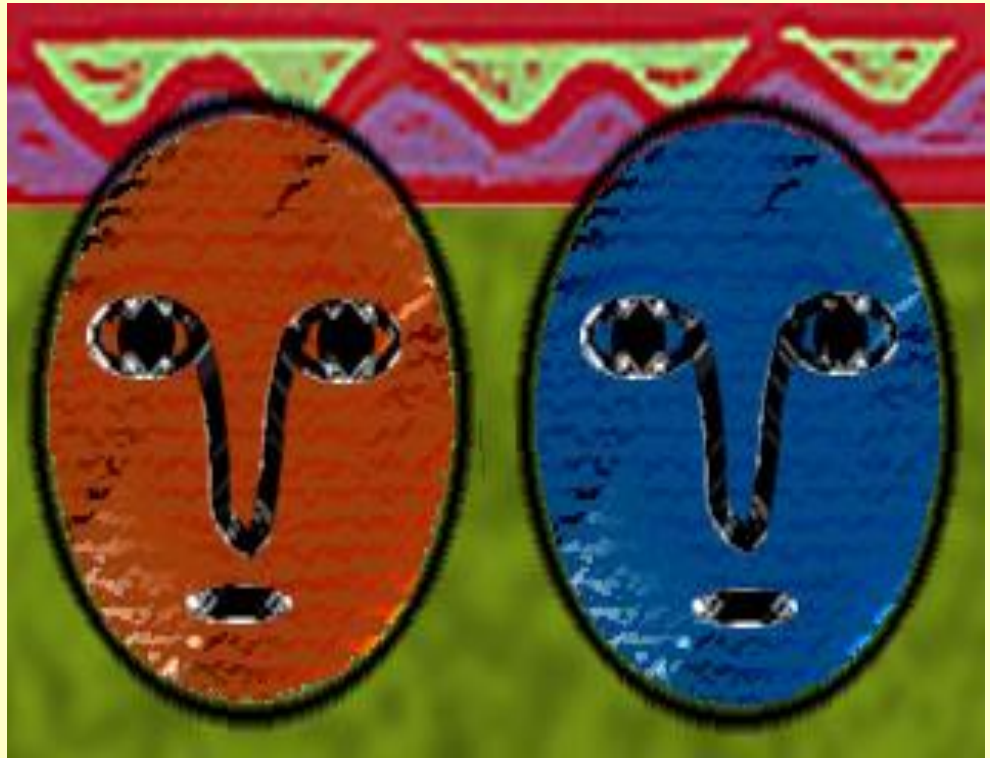**10**

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

Human Resources Planning

Job Analysis

Determine recruitment & selection needs
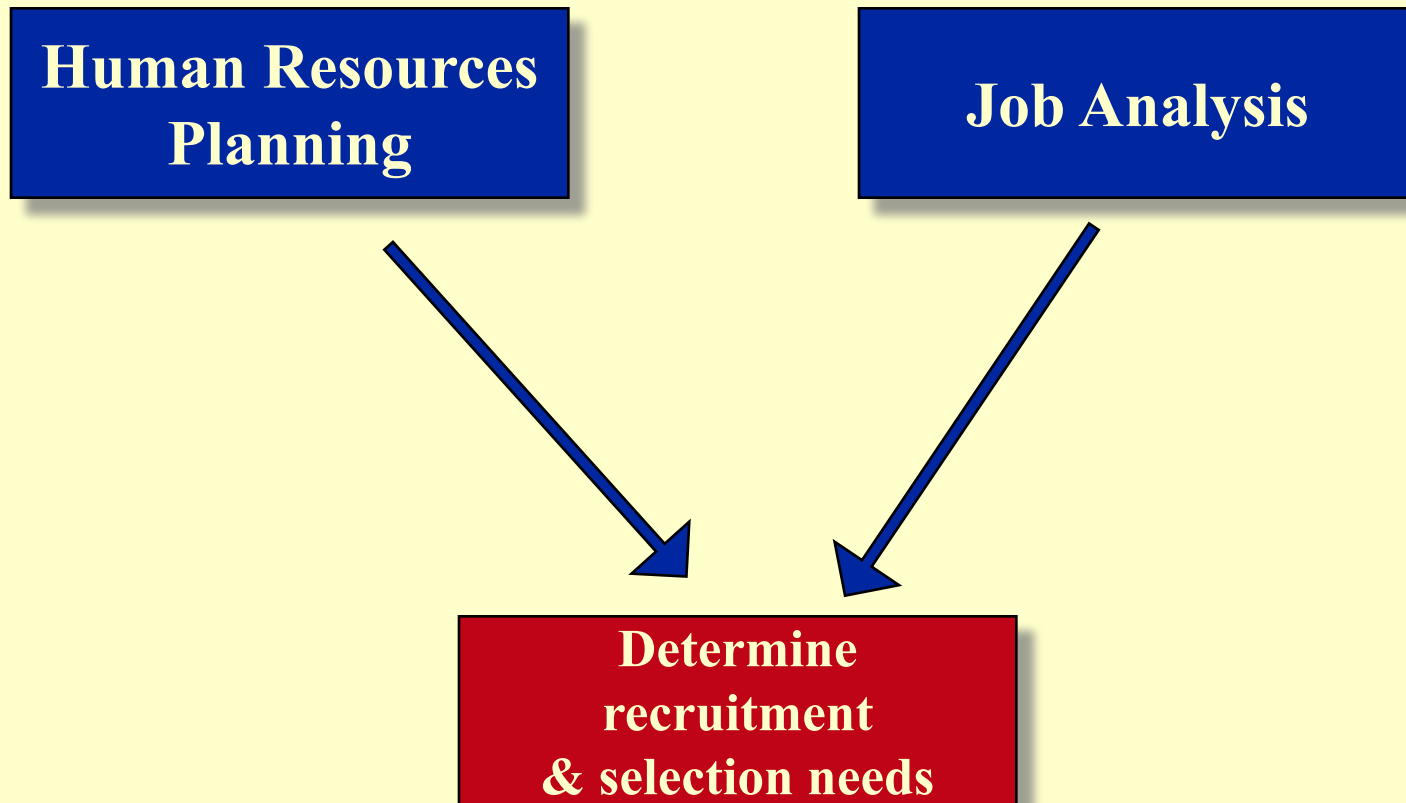
HRM Planning: Outsourcing

- *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
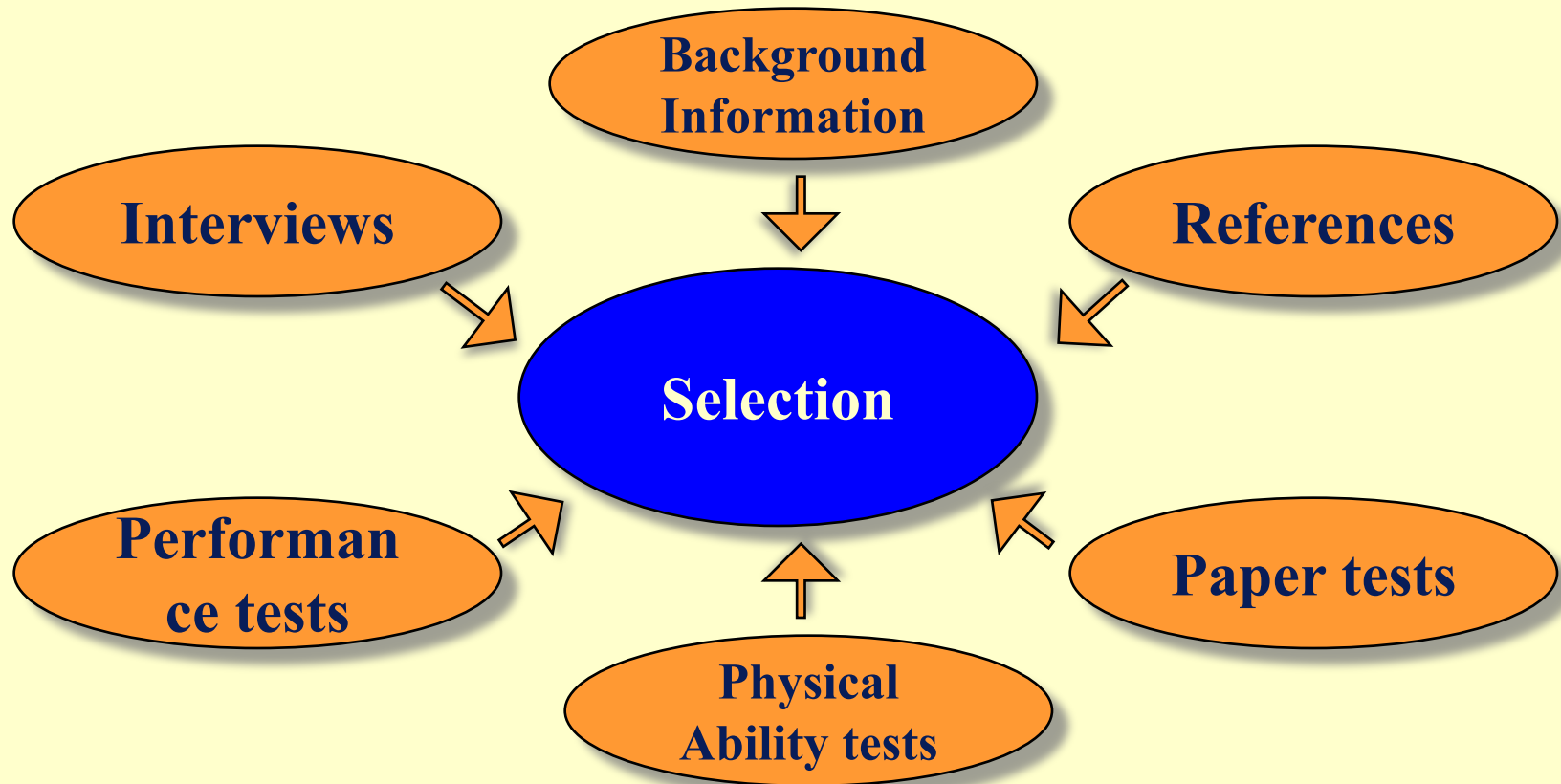
Selection Process

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
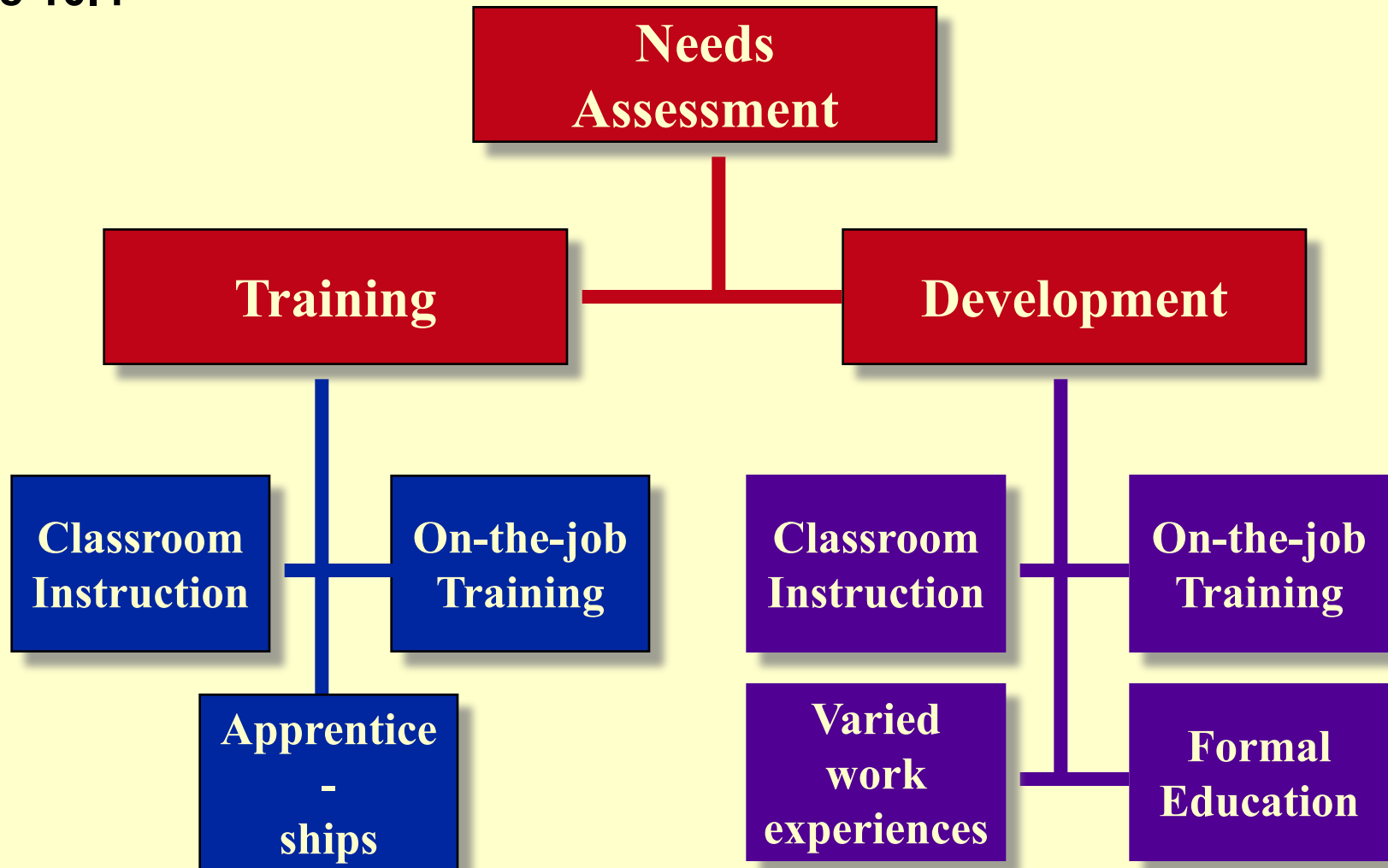
Types of Training

- ***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
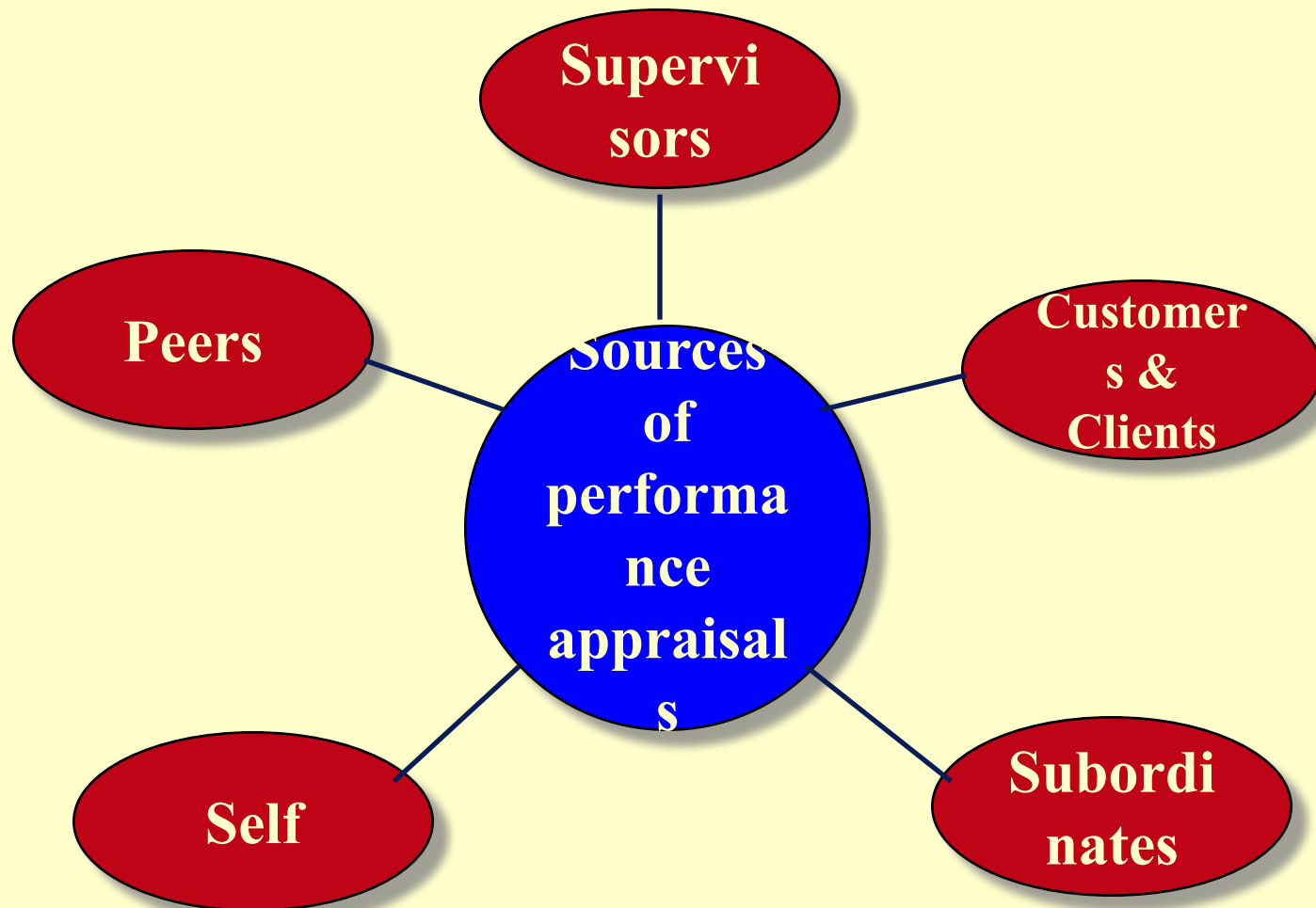
Who Appraises Performance?

- ***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.**