

# Fundamentals of Management

1



# Part Three: Organizing

2

- **Chapter Seven: Managing Human Resources**
  - Describe the key components of the human resource management process and the important influences on that process.
  - Discuss tasks associated w/ identifying and selecting competent employees.
  - Explain how employees are provided with needed skills and knowledge.
  - Describe strategies for retaining competent, high-performing employees.
  - Discuss contemporary issues in managing human resources.



# Human Resource Management

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- Once an organization's structure is in place, managers have to find people to fill the jobs that have been created or to remove people from jobs, if circumstances require it.
- Human Resource Management is an important task that involves having the right number of the right people in the right place at the right time.
  - ✦ It's a process that includes finding, interviewing, and assessing job applicants; helping new employees assimilate; recommending training; and assessing employee performance.

— RIGHT HERE —  
RIGHT NOW.

# Human Resource Management

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- The quality of an organization is determined by the quality of the people it employs.
  - Success for most organizations depends on finding the employees with the skills to successfully perform the tasks required to attain the company's strategic goals.
    - ✦ Staffing and HRM decisions and actions are critical to ensuring that the organization hires and keeps the right people.



# Human Resource Management

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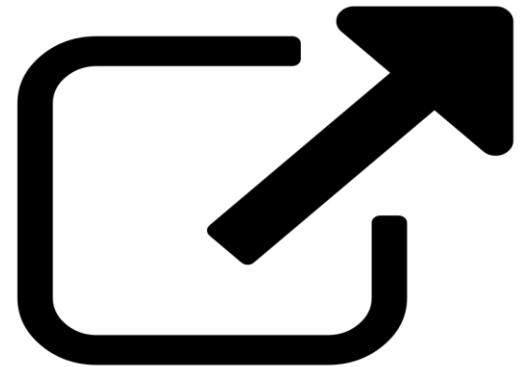
- The Human Resource Management Process:
  1. Identification and Selection of Competent Employees
    - ✦ Strategic Human Resource Planning
    - ✦ Recruitment and Downsizing
    - ✦ Selection
  2. Competent Employees with Skills, Abilities, and Knowledge
    - ✦ Orientation
    - ✦ Training and Development
  3. High Performing EE's Sustaining Performance for Long Term
    - ✦ Performance Management
    - ✦ Compensation and Benefits
    - ✦ Safety and Health



# Human Resource Management

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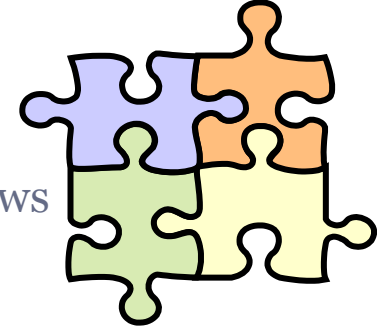
- The entire HRM process is influenced by the external environment.
  - Many of the factors discussed in Chapter Two directly affect all management practices, but their effect is keenly felt in managing the organization's human resources, because whatever happens to an organization ultimately influences what happens to its employees.



# External Environment

## Chapter Two

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- **Political/Legal**
  - Political Conditions and Stability: Nationally and Worldwide
  - Federal, State, and Local Laws, as well as, Country and Global Laws
- **Demographics**
  - Trends in Population Characteristics
    - ✦ Age, Race, Gender, Education Levels, Geo Location, Family Composition
- **Economic**
  - Interest Rates, Inflation, Employment, Unemployment, Income levels
- **Socio-Cultural**
  - Societal and Cultural Factors
    - ✦ Values, Attitudes, Trends, Traditions, Lifestyles, Beliefs, Patterns of Behavior
- **Technological**
  - Scientific or Industrial Innovations
- **Global**
  - Issues (i.e. Volcano, Instability, Terrorism) Associated with World Economy

# Major HRM Laws

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- **Equal Opportunity and Discrimination**
  - Equal Pay Act
  - Civil Rights Act, Title VII
  - Age Discrimination in Employment Act
  - Americans with Disabilities Act
- **Compensation and Benefits**
  - Family and Medical Leave Act
- **Health and Safety**
  - Occupational Safety and Health Act (OSHA)
  - Privacy Act
  - Consolidated Omnibus Reconciliation Act (COBRA)



**Legal &  
General**



# Human Resource Management

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- Operating within legal constraints, U.S. managers are not completely free to choose whom they hire, promote, or fire.
- Although laws and regulations have significantly helped to reduce employment discrimination and unfair employment practices, they have, at the same time, reduced management's discretion over HR decisions.



# Industrial-Organizational Psychology

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- Industrial-Organizational Psychology is defined as the scientific study of the workplace.
  - I/O Psychologists study organizational topics, such as, job performance, job analysis, performance appraisal, compensation, work/life balance, work sample tests, employee training, employment law, personnel recruitment and selection, and so forth.
    - ✦ Why is it important to scientifically study the workplace?



# Identify and Select Competent Employees

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- The first phase of the HRM process involves three tasks:
  - 1. Employment Planning
    - ✦ The process by which managers ensure they have the right number and kinds of people in the right places at the right times, people who are capable of effectively and efficiently completing those tasks that will help the organization achieve its goals.
      - The process can be condensed into two steps:
        - Assessing(1) current human resources and (2) future resource needs.
        - Developing a plan to meet those needs.

1

# Current Human Resources

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- How does an organization do a Current HR Assessment?
  - Managers begin by reviewing the current human resource status, and generate a human resource inventory.
    - ✦ This inventory allows managers to assess what talents and skills are currently available in the organization.
  - Another part of the current assessment is job analysis.
    - ✦ Workflows are analyzed and skills and behaviors that are necessary to perform jobs are identified.
    - ✦ Determines kinds of skills, knowledge, and attitudes needed to successfully perform each job.
      - Information used to develop/revise job descriptions and specifications.



# Job Description and Specification

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- **Job Description**

- A written statement that describes the job – what a job holder does, how it's done, and why it's done.
- It portrays job content, environment, and conditions of employment.

- **Job Specification**

- States the minimum qualifications that a person must possess to perform a given job successfully.
- Focuses on the person and identifies the knowledge, skills, and attitudes needed to do the job effectively.
  - ✦ The Job Description and Specification are important documents when managers begin recruiting and selecting.
  - ✦ Hiring individuals on the basis of information contained in these two documents helps ensure that the hiring process does not discriminate.

# Future Human Resources

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- Future human resource needs are determined by the organization's strategic goals and direction.
- Demand for human resources (employees) is a result of demand for the organization's products or services.
  - On the basis of an estimate of total revenue, managers can attempt to establish the number and mix of people needed to reach revenue.
  - In some cases, however, the situation may be reversed. When particular skills are necessary and in scarce supply, the availability of needed human resources determines revenue.



On Demand

# Identify and Select Competent Employees

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- Employment Planning not only guides current staffing needs, but also projects future employee needs and availability.



# Identify and Select Competent Employees

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- The first phase of the HRM process involves three tasks:
  - 2. Recruitment and Downsizing
    - ✦ Once managers know their current staffing levels – understaffed or overstaffed – they can begin to do something about it.
    - If vacancies exist, they can use the information gathered through job analysis to guide them in recruitment.
      - Recruitment is the process of locating, identifying, and attracting capable applicants.
    - If there is a surplus, they can reduce the labor supply within the organization by downsizing or restructuring activities.
      - Downsizing is the planned elimination of jobs within the organization.

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# Recruitment

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- Recruitment Sources

- Internet

- ✦ Reaches large numbers of people; can get immediate feedback
- ✦ Generates many unqualified candidates

- Employee Referrals

- ✦ Knowledge about the organization provided by current employee; generates strong candidate, as referral reflects the recommender
- ✦ May not increase the diversity and mix of employees

- Company Web Site

- ✦ Wide distribution; can be targeted to specific groups
- ✦ Generates many unqualified candidates

- College Recruiting

- ✦ Large centralized body of candidates
- ✦ Limited to entry-level positions

- Professional Recruiting Organizations

- ✦ Good knowledge of industry challenges and requirements
- ✦ Little commitment to specific organization



# Downsizing

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- Downsizing Options

- Firing

- ✦ Permanent involuntary termination

- Layoffs

- ✦ Temporary involuntary termination – short term

- Attrition

- ✦ Not filling openings created by voluntary resignation or retirements

- Transfers

- ✦ Moving employees horizontally or vertically throughout organization

- Reduced Workweeks

- ✦ Having employees working fewer hours – job share – furloughs

- Early Retirements

- ✦ Providing incentives for EE's to retire before normal retirement date

- Job Sharing

- ✦ Having part-time employees share one full-time position



# Identify and Select Competent Employees

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- The first phase of the HRM process involves three tasks:
  - 3. Selection
    - ✦ The Selection Process seeks to predict which applicants will be “successful” if hired; that is, who will perform well on the criteria the organization uses to evaluate its employees.
    - A decision is correct when:
      - The applicant who was predicted to be successful (was accepted) later proved to be successful on the job.
      - The applicant who was predicted to be unsuccessful (was rejected) would not have been able to do the job if hired.

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# Selection

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- Selection techniques that result in reject errors can result in charges of discrimination, especially if applicants from protected groups are disproportionately rejected.
- Selection techniques that result in accept errors have obvious costs to the organization:
  - Cost of training the employee
  - Costs generated or profits forgone because of EE incompetence
  - Cost of severance and subsequent cost of recruitment and selection



ERROR.

# Reliability and Validity

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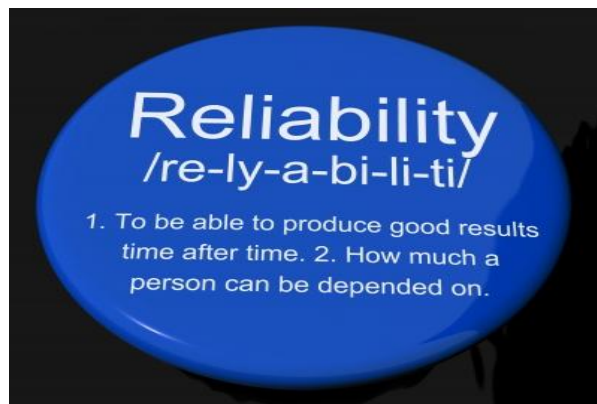
- The major intent of any selection activity is to reduce the probability of making accept errors or reject errors while increasing the probability of making correct decisions.
  - How?
    - ✦ By using selection procedures that are both reliable and valid.



# Reliability and Validity

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- Reliability addresses whether a selection device measures the same characteristic consistently.
- Validity is based on a proven relationship between the selection device used and some relevant measure.
- Law prohibits managers from using any selection device that cannot be shown to be directly related to successful job performance.



# Selection Devices

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- Managers can use a number of selection devices to reduce accept and reject errors. The best known devices include:
  - Written Tests
    - ✦ Includes tests of intelligence, aptitude, ability, and interest.
    - ✦ Experts estimate that online personality tests are used by employers to assess personality, skills, cognitive abilities, and other traits of some 60 to 70 percent of prospective employees.
    - An enduring criticism of written tests is that intelligence and other tested characteristics can be somewhat removed from the actual performance of the job itself.

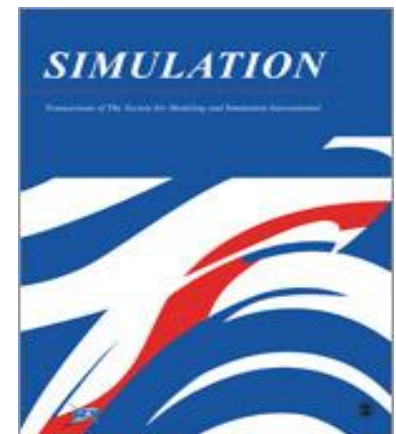


TEST  
YOURSELF!

# Selection Devices

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- Managers can use a number of selection devices to reduce accept and reject errors. The best known devices include:
  - Performance-Simulation Tests
    - ✦ The best-known performance-simulation tests are work sampling (a miniature replica of the job) and assessment centers (simulating real problems one may face on the job).

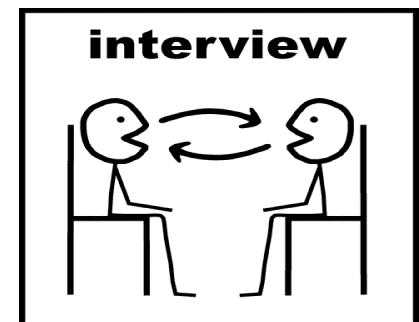




# Selection Devices

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- Managers can use a number of selection devices to reduce accept and reject errors. The best known devices include:
  - Interviews
    - ✦ The interview, along with the application form, is an almost universal selection device.
      - Ironically, the value of an interview as a selection device has been subject of considerable debate.
        - Interviews can be reliable and valid tools, but too often their not.



# Interviews

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- To be effective predictors, interviews need to be:
  - Structured
  - Well Organized
  - Conducted with Relevant Questions



# Interviews



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- What does research tell us about interviewing?
  - Prior knowledge about the applicant biases the interviewer's evaluation.
  - Interviewer tends to hold a stereotype of what represents good applicant.
  - Interviewer tends to favor applicants who share his or her own attitudes.
  - The order in which applicants are interviewed influences evaluations.
  - The order in which information is elicited influences evaluations.
  - Negative information is given unduly high weight.
  - Interviewer makes decision concerning suitability within the first few minutes of interview.
  - The interviewer may forget much of the content within a few minutes after its conclusion.
  - The interview is most valid in determining intelligence, motivation, and interpersonal skills.

# Interviews

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- Tips for more valid and reliable interviews:
  - Review job description/specification to help in assessing applicant.
  - Prepare a structured set of questions to ask all applicants for the job.
  - Review an applicant's resume before meeting him or her.
  - Ask questions and listen carefully to the applicant's answer.
  - Write your evaluation of the applicant while the interview is still fresh in your mind.



# Interviews

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- One last popular modification to interviews has been the behavioral or situation interview.
  - In this type of interview, applicants are observed not only for what they say, but also how they behave.
    - ✦ This type of interview provides an opportunity for interviewers to see how potential employee will behave and reacts under stress.
    - ✦ Research indicates that behavioral interviews are almost 8 times more effective for predicting successful job performance.



# Close the Deal

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- If interviewer exposes an applicant only to the positive characteristics of an organization, it is likely to produce a workforce that is dissatisfied and prone to turnover.
- When information an applicant receives is excessively inflated, a number of things happen that have a negative effect on the company:
  - ✦ Mismatched applicants are less likely to withdraw from search process.
  - ✦ Inflated information builds unrealistic expectations, so new employees are likely to become dissatisfied and to resign prematurely.
  - ✦ New hires are prone to become disillusioned and less committed when they face unexpected realities.
  - ✦ In many cases, these individuals feel they were misled, and may become problem employees.



# Realistic Job Preview

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- To increase job satisfaction among employees and reduce turnover, managers should consider a Realistic Job Preview (RJP).
  - An RJP includes both positive and negative information about the job and company.
    - ✦ Research indicates that applicants who have been given a RJP hold lower and more realistic job expectations and are better able to cope with the frustrating elements of the jobs.



POSITIVE NEGATIVE

# Skills, Abilities, and Knowledge

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- How are employees provided with needed skills and knowledge?
  - New hires must be acclimated to the organization's culture and be trained and given the knowledge to do the job in a manner consistent with the organization's goals.
    - ✦ To achieve this, HRM uses Orientation and Training





# Orientation

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- The major goals of orientation are to:
  - Reduce anxiety all new employees feel when they begin a new job.
  - Familiarize new employees with the job, the work unit, and the organization as a whole; and
  - Facilitate the outsider-insider transition



# Orientation

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- **Job Orientation**

- Expands on information EE obtained during recruitment/selection
- Clarifies specific duties and responsibilities, and evaluation criteria
- Corrects unrealistic expectations EE's might hold about the job

- **Work Unit Orientation**

- Familiarizes EE with goals of the work unit
- Clarifies how EE job contributes to the unit's goals
- Provides introduction to coworkers

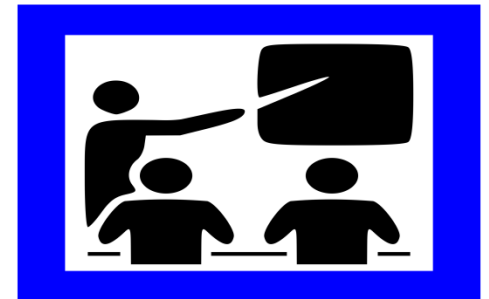
- **Organization Orientation**

- Informs EE about goals, history, philosophy, procedures and rules
- Clarifies relevant HR policies – work hours, pay, benefits, etc.
- Includes a tour of organization facilities

# Training

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- Employee Training is a learning experience that seeks a relatively permanent change in EE's by improving their ability to perform on the job.
- Training involves changing skills, knowledge, attitudes, or behavior. This change may involve what employees know, how they work, or their attitudes toward their jobs, coworkers, managers, and the organization.
  - ✦ Managers are responsible for deciding when EE's are in need of training and what form that training should take.



# Training

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- Questions asked in determining whether training is needed:
  - Is there a need for training?
  - What are the organization's strategic goals?
  - What tasks must be completed to achieve organizational goals?
  - What behaviors are necessary for each job holder to complete his or her job duties?
  - What deficiencies, if any, do job holders have in terms of skills, knowledge, or abilities required to exhibit the essential and necessary job behaviors?



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# Training Methods

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- Traditional Training Methods

- On-the-Job
- Job Rotation
- Mentoring and Coaching
- Experiential Exercises – Role Playing
- Workbooks and Manuals
- Classroom Lectures

- Technology-Based Training Methods

- CD ROM/DVD/Videotapes/Audiotapes/Podcasts
- Videoconferencing/Teleconferencing/Satellite TV
- E-Learning or Internet Based
- Mobile Learning – Application Software



# Training

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- Beyond general reactions and opinions, training must also be evaluated in terms of:
  - How much the participants learned
  - How well they are using their new skills on the job
  - Did their behavior change; and
  - Whether the training program achieved its desired results (reduced turnover, increased customer service, etc.)



# Performance Management

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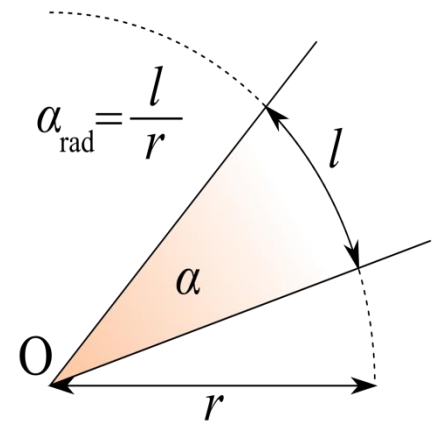
- A Performance Management System is a system that establishes performance standards that are used to evaluate employee performance.
  - Desired EE performance levels determined by organization vs. Actual EE performance level measured and appraised by manager
    - ✦ May evaluate EE performance against a set of established standards or absolute criteria, or compare EE performance with that of one or more individuals which is a relative, not absolute, measuring device.



# Performance Appraisal Methods

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- Written Essay
  - Description of EE's strengths and weaknesses
- Critical Incidents
  - Examples of critical behaviors that were especially effective or ineffective
- Adjective Rating Scales
  - Lists performance factors – quantity/quality – with numerical ratings
- BARS
  - Rating scale plus examples of actual job behaviors
- MBO
  - Evaluation of accomplishment of specific goals
- 360-Degree Appraisal
  - Feedback from full circle of those who interact with EE
- Multiperson
  - Evaluation comparison of work group





# Performance Appraisal Methods

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- Three approaches to Multiperson Comparison:
  - Group-order Ranking
    - ✦ Evaluator places EE's into a particular classification – top third, middle third, bottom third; or whatever class desired.
  - Individual Ranking Approach
    - ✦ Evaluator lists employees in order from highest to lowest performance levels. Only one can be the best.
  - Paired Comparison Approach
    - ✦ Each EE is compared with every other EE in the comparison group and rated as either the superior or weaker member of the pair.



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# Performance Appraisal Methods

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- When EE Performance is not up to Par – Why? What to Do:
  - Job Mismatch (Hiring Error)
    - ✦ Reassign individual to better-matched job.
  - Inadequate Training
    - ✦ Provide training.
  - Lack of Desire to do Job (Discipline Problem)
    - ✦ Try employee counseling – a process designed to help EE's overcome performance-related problems.
    - ✦ Attempt to uncover why EE has lost desire to work productively and find ways to fix the problem.
    - ✦ Take disciplinary or punitive action – verbal and written warnings, suspension, and even termination.



# Performance Appraisal Methods

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- Regardless of the method of appraisal, it is important to provide EE with Feedback.
  - Be straightforward by focusing on specific behaviors
  - Be realistic
    - ✦ Focus your feedback on what can be changed.
  - Keep feedback impersonal
    - ✦ Be descriptive rather than judgmental. Do not criticize EE personally.
  - Keep feedback goal oriented
  - Know when to give feedback – make it well timed
    - ✦ Do not delay feedback (either positive or negative).
  - Ensure understanding
  - Watch your body language, tone of voice, and facial expressions
    - ✦ Nonverbal communication speaks louder than words.



# Compensation and Benefits

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- An effective and appropriate compensation system will:
  - Help attract and retain competent and talented individuals.
  - Impact strategic performance.
  - Keep employees motivated.
- A compensation system should reflect the changing nature of work and the workplace:
  - Determining pay levels isn't easy, but EE's expect appropriate compensation. Different jobs require:
    - ✦ Different kinds and levels of knowledge, skills, and abilities (KSA's) that have varying value to the organization.
    - ✦ Different levels of responsibility and authority.
  - The higher the KSA's and the greater the authority and responsibility, the Higher the Pay.



# Compensation and Benefits

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- **Level of Compensation and Benefits is Determined by:**
  - Kind of Job Performed
  - Kind of Business
  - Unionization
  - Labor or Capital Intensive
  - Management Philosophy
  - Geographical Location
  - Company Profitability
  - Size of Company
  - Employee's Tenure and Performance



# Compensation and Benefits

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- Non-Cash Compensation from Employers:
  - Compensation package is greater than hourly wage or annual salary
  - Also includes employee benefits – important and varied non-financial rewards designed to enrich employees' lives
  - Benefits packages can vary widely and often reflect efforts to provide something that employee values
  - Some benefits – social security, workers' and unemployment compensation – are legally required, but organizations may provide others such as paid time off from work, life and disability insurance, retirement programs, and health insurance.

**NON-CASH  
GIVING**

# Contemporary HRM Issues

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- HR issues that face today's managers include downsizing, workforce diversity, sexual harassment, and HR costs.
- Tips for Managing Downsizing:
  - ✦ Communicate openly and honestly:
    - Inform those being let go as soon as possible
    - Tell surviving EE's the new goals and expectations
    - Explain impact of layoffs
  - ✦ Follow any laws regulating severance pay or benefits
  - ✦ Provide support/counseling for surviving employees
  - ✦ Reassign roles according to individuals' talents and backgrounds
  - ✦ Focus on boosting morale:
    - Offer individualized reassurance
    - Continue to communicate, especially one-on-one
    - Remain involved and available



# Contemporary HRM Issues

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- HR issues that face today's managers include downsizing, workforce diversity, sexual harassment, and HR costs.

- Workforce Diversity



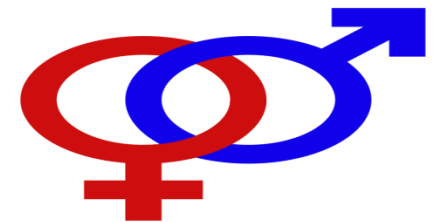
- ✦ Workforce diversity also affects such basic HRM activities as recruitment, selection, and orientation.
  - Improving workforce diversity requires managers to expand their recruiting net by exploring non-traditional recruitment sources.
  - Once a diverse set of applicants exist, efforts must be made to ensure that the selection process does not discriminate.
  - Moreover, applicants need to be made comfortable with the organization's culture and be made aware of management's desire to accommodate their needs.
  - Finally, orientation is often difficult for women and minorities.
    - Companies should have mentoring programs to deal with the reality that lower-level female and minority managers have few role models available.



# Contemporary HRM Issues

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- HR issues that face today's managers include downsizing, workforce diversity, sexual harassment, and HR costs.
  - Sexual Harassment
    - ✦ Sexual Harassment is any unwanted action or activity of a sexual nature that explicitly or implicitly affects an individual's employment, performance, or work environment.
      - It is estimated that sexual harassment is the single largest financial risk facing companies today.
      - Sexual harassment results in millions lost in absenteeism, low productivity, and turnover.
      - Sexual harassment is not just a U.S. phenomenon, it's a global issue.



# Contemporary HRM Issues

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- HR issues that face today's managers include downsizing, workforce diversity, sexual harassment, and HR costs.
  - HR Costs
    - ✦ HR costs are skyrocketing, especially those associated with employee health care and employee pensions. From financial incentives to company-sponsored health and wellness programs, the goal is to limit rising health-care costs.
      - Two health areas of concern for organizations are employees who smoke and obese employees.
    - ✦ The other area where organizations are looking to control costs is EE pension plans. Pension commitments have become such an enormous burden that companies can no longer afford them.



*The*  
E N D