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HUMAN RESOURCE MANAGEMENT

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INTRODUCTION

Human resource management is about managing people in organizations as effectively as possible for the good of the employees, the company, and society.

A. Why is human resource management important?

Today, organizations large and small face an environment characterized by:

- Extremely high level of competition
- Hundreds of thousands of small, new entrepreneurial firms
- A vast number of nations with low wages and highly skilled workers
- Rapid technological advances
- Dynamic legal, political, and social realities
- Changing values and educational qualifications
- Consumers demanding high quality at low prices.

The result is that organizations have to do things much differently! Successful firms now resemble the profit. The implications for HR management are enormous. At home and around the world CEOs are attesting to just important this activity is.

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B. characteristics of Successful Organizations

Today's Organizations Are

- Global
- Flatter
- Populated by cross-functional teams
- Oriented toward differentiations, producing high value-added goods and services, creating niche markets
- Total quality conscious
- Cost conscious
- More responsive, concerned about speed
- Faster to innovate
- Reliant on highly trained and flexible people
- Networks of competencies and partnerships
- Continually evolving strategies, structures, and practices
- Customer-focused
- Concerned about ethics and environment
- Concerned about managing diversity

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C. The Goals of Human Resource Management

The specific goals traditionally associated with human resource management are attracting applicants, retaining desirable employees, and motivating employees?

The quality of work motivated people is light-years ahead of what you get from people not well motivated. Increasingly, another goal is being added – that of retraining employees.

How a firm manages its human resources has an impact, positive or negative, on the organization's survival, growth, profitability, competitiveness, and flexibility in adapting to changing conditions.

Focusing on the bottom line is a key way in which HR departments can gain recognition and respect in organizations. The feature on General Electric describes specific ways in which the HR department can influence the bottom line. Improving productivity, improving the quality of working life, increasing the firm's legal compliance, gaining competitive advantage, and assuring work force adaptability – these are the overall goals of managing human resources.

ACTIVITIES IN HUMAN RESOURCES MANAGEMENT

The activities include:

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1. Understanding the environment and meeting its demands;
2. Staffing the organization;
3. Appraising employee behavior;
4. Compensating employee performance;
5. Training the development;
6. Establishing and maintaining effective work relationships; and
7. Monitoring and assessing the work environment.

Enabling and organization to do these activities effectively is a primary objective of the HR department, which must be willing to work closely with managers and employees. Again, the idea of partnership – HR professionals working together with line managers and employers – is critical to the success of the endeavor.

1. COMPENSATION PERFORMANCE

Employees are generally rewarded on the basis of the value of the job their personal contributions, and their performance. Although rewarding performance can increase motivation, rewards are often given only according to the value of the job. Although rewarding performance can increase motivation, rewards are often given only according to the value of the job. Other rewards (namely, indirect benefits) are provided just for being a member of the organization. The compensating activity includes administering

1. Direct compensation
2. Performance –base pay and
3. Indirect compensation

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Because of the raising medical costs over the past decade, cost containment in the benefit area has become a major concern for many firms. It has resulted in more cost –sharing with the employees and even reduction of some benefits. The challenges here are to manage costs and at the same time keep employee commitment high. Managing health care costs is likely to be an important topic for some time.

2. TRAINING AND DEVELOPMENT

Activities related to training and development include

1. Determining, designing and implementing programs to increase ability and employee performance, and
2. Creating and implementing the organizational practices and HR activities to improve total quality management efforts within organization.

3. ESTABLISHING AND MAINTAINING EFFECTIVE WORK RELATIONSHIPS

This activity is composed of the following sets of activities:

1. Respecting employee rights,
2. Understanding the reasons and methods used by the employees in organizing, and
3. Bargaining and settling grievances with the employee and the groups representing them.

Employees are increasingly gaining more rights. Consequently, employment decision such as terminations, layoffs and demotions must be made with care and evidence. It is important that the company managers be

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aware of all employee rights. The HR manager is in an excellent position to inform line managers of these rights. The work relationship is particularly important for organizations that have unionized employees. Unions can be instrumental in developing new programs for the improvement of human resources.

4. MONITORING AND ASSESSING THE WORK ENVIRONMENT

The crucial activity here is monitoring and improving the physical and sociological work place to maximize employee safety and health. The federal regulations specified in the occupational safety and health. The federal regulations specified in the occupational safety and health act of 1970 have had a direct influence on the physical safety and security of employees and their well being. Failure to improve work conditions for health and safety is illegal and can be very costly.

Another crucial activity involves assessing the improving. Management data and information systems must be created and then used to ensure that decisions are made with timely and accurate information. This requires conducting organizational surveys, developing valid tests for selection, and in general, assessing all the HR activities.

THE HUMAN RESOURCE PROFESSIONAL

Effective HR management is the task of individuals who have specialized in this field – that is, HR professionals. These professionals have acquired the special knowledge and skills necessary for managing human resources.

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A. The line manager

While HR professionals have the special knowledge and skills, it is the line manager who must ultimately manage the employees. Because line managers want to be effective in this endeavor, they need to work hand in hand with HR professionals. This is happening with all managers today, from the CEO on down.

Thus CEOs, HR managers, and all levels of senior management need to be involved in managing this resource. While this is happening, both CEOs and senior HR managers in the recent IBM/Towers Perrin survey agreed that co-involvement should become much more prevalent by the year 2000. Exhibit 1.3 indicates the type of involvement most favored. In this scenario, the HR department's leader will be counted among senior executives and will play significant roles in attracting, retaining and motivating the firm's most vital resources.

The HR leader will be indistinguishable from other senior executives in the concern for, and understanding of, the needs of the business. Likewise, the HR staff will appear indistinguishable from their counterparts in the firm. Sharing will forge and implement all of the activities entailed in the human resources discipline.

B. The employee

Employees are taking an ever more active role in HR management. For example, employees are now often asked to appraise their own performance or that of their colleagues. It is no longer uncommon for employees to write their own job descriptions. Perhaps most significantly, employees are actively managing their careers and assessing their own needs and values. Nonetheless, the HR department is often asked to assist in this process. To these ends, the HR department must be staffed with qualified individuals.

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1. PROFESSIONALISM IN HUMAN RESOURCE MANAGEMENT

Like any profession, HR management follows a code of professional ethics and has an accreditation institute and certification procedures. All professions share the code of ethics that human resource management follows.

1. Practitioners must regard the obligation to implement public objectives and protect the public interest as more important than blind loyalty to an employer's preferences.
2. In daily practice, professionals must thoroughly understand the problems assigned and must undertake whatever study and research are required to assure continuing competence and the best of professional attention.
3. Practitioners must maintain a high standard of personal honesty and integrity in every phase of daily practice.
4. Professionals must give thoughtful consideration to the personal interest, welfare, and dignity of all employees who are affected by their prescriptions, recommendations, and actions.
5. Professionals must make sure that the organizations that represent them maintain a high regard and respect for the public interest and that they never overlook the importance of the personal interest and dignity of employees.

2. ETHICAL ISSUES

Increasingly, HR professionals are becoming involved in ethical issues. Some of the most serious issues centers around differences in the way people are treated because of favoritism or a relationship to top

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management. In a recent survey, conducted by the Society for Human Resource Management (SHRM) and the Commerce Case Clearing House (CCCH), HR professionals identified more than 40 ethical incidents, events, and situations relevant to HR activities. The ten most serious ethical situations is discussed upcoming chapters.

In the SHRM/CCCH study, the professionals surveyed agreed that workplace ethics required people to be judged solely on job performance.

Ethics require managers to eliminate such things as favoritism, friendship, sex bias, race bias, or age bias from promotion and pay decisions (it is, of course, also unlawful to take sex, race or age into account).

Is ethics a “bottom line” issue? It becomes one when we consider that by acting in an ethical manner, companies will, in fact, hire, reward and retain the best people. This will, in turn, help assure that the company has the best work force possible to achieve its business goals.

Certainly there are other ethical issues that do not impact the bottom line in the way favoritism versus employee performance does. By adopting a definition of workplace ethics that centers on job performance, however, HR professionals will be a better to persuade others in the organization that making ethical behavior a priority will produce beneficial results.

3. ENCOURAGING ETHICAL BEHAVIOR

To assume however, that a single policy can be devised to ensure that everyone in an organization

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behaves ethically and legally all the time is unrealistic. Nevertheless, there are a number of ways in which business ethics can be improved. A good starting point is for top managements to examine such management practices as reward system, managerial style, and decision-making processes. In some organizations, the reward system promotes unethical behavior by encouraging the achievement of organizational goals at almost any cost. Clearly then, HR professional can play a major role in influencing ethical behavior in organizations. Accordingly, in the following chapters we present relevant ethical issues. For more discussion on what ethical behavior is and how it differs from illegal behavior, see the feature “HR Advice and Application: Ethical Behavior,”

4. PROFESSIONAL CERTIFICATION

The Society for Human Resource Management (SHRM) has established the Human Resource Certification Institute to certify human resource professionals. The institute has the following purposes:

1. To recognize individuals who have demonstrated expertise in particular fields
2. To raise and maintain professional standards
3. To identify a body of knowledge as a guide to practitioners, consultants, educators, and researchers
4. To aid employers in identifying qualified applicant
5. To provide an overview of the field as a guide to self-development.

The certification institute has two levels of accreditation: basic and senior. The basic accreditation is the Professional in Human Resources. This designation requires an examination covering the general body of knowledge and four years of professional experience. A bachelor’s degree in HR management or social sciences

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counts for two years of professional experience.

The senior level accreditation is the Senior Professional in Human Resources. This accreditation requires a minimum of eight years of experience, with the three most recent years including policy-development responsibilities. All professionals receiving accreditation will be listed in the Register of Accredited Personnel and Human Resource Professionals.

5. CAREERS IN HUMAN RESOURCE MANAGEMENT

Numerous career possibilities in human resources exist. Human resources specialists can pursue their fields of specialization within a company and still sell some of their time to external organizations as consultants. Generalists in this field can remain in human resources and also occasionally serve on company wide task forces for special issues such as downsizing or capital improvement projects.

Generalists are likely to be from three ranks: career HR professionals with degrees in business or psychology, former line managers who have switched fields, and line managers on a required tour of duty. As human resources become an activity more heavily valued by organizations, required tours of duty by line managers will become more frequent. Finally, as U.S. organizations become more global, there will be increased opportunities for careers in international HR management. Career issues are discussed further in Chapter 4.

CHAPTER 2 HISTORICAL NOTES ON HUMAN RESOURCE MANAGEMENT

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A. INTRODUCTION

1. The beginning of personnel management

As with many disciplines, procedures for managing people have changed rather dramatically during their century. In 1911, under the influence of the works of Fredrick W. Taylor, personnel management in industry focused on developing precise analytical schemes to select and reward individuals, typically for the purposes of motivating, controlling, and improving the productivity of entry-level employees. During the 1920s, work on these analytical schemes expanded to encompass issues of appraising and training individuals, essentially for the same purpose.

While the focus during the first quarter century was on the individual employee, the second quarter was to see it shift to the group. Elton Mayo and his work at the Hawthorne plant (the “Hawthorne Studies”) focused on improving productivity of individuals through group experimentation. His efforts included changing the group’s composition and incentive schemes. He also looked into changing environmental conditions – namely, lighting and physical arrangements. Knowledge of groups and the impact of the group on individuals advanced with the work of Kurt Lewin during the 1930s and 1940s. Yet with few notable exceptions (Chester Bernard’s work on CEOs), this work was primarily focused on the employees doing the work.

During the 1950s and 1960s, much of the work concerned with managing employees highlighted

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individual needs and motivation. Advances made in selection and development in the military during World War II expanded to the private sector. The development of tests for selection and placement and work in performance appraisal and training continued. Yet, again, most of the work focused, explicitly or implicitly, on improving the performance of the individuals doing the work. At this time, however, a new applied methodology focusing on management and motivational techniques became the domain of researchers working in personnel psychology and industrial and organizational psychology. The more theoretical work came under the domain of organizational behaviorists.

2. Current Trends

What is happening today in the field of HR management is nothing short of revolutionary. This organizational function is more important than ever. Line managers are getting involved in the process and HR managers are becoming members of the management team. Also, because this endeavor is seen as critical to the success of organizational, it is recognized that virtually everyone in an organization can make a contribution to the management of people and the success of the organization at the same time. Three trends accompany this excitement and challenge.

3. Linking With the Environment

In comparison with the past, today's and tomorrow's characterizations, of HR management reflect the more intense levels of national, regional, and global competition, dramatic demographic and work force changes, anticipated legal and regulatory changes, and significant technological developments. Requiring major changes in organizational strategy, structure, technology, these environmental forces demand speed, quality,

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innovation, and globalization on the part of firms wishing to survive the “battlefield” of international competition. The characterization of effective firms in highly competitive environments – the firms in which the most exciting things in HR management are happening – reflects the corporate consensus that the requirements for successful “combat” will require the most effective human resource management possible. Chapter 2 is devoted to what’s happening in world class HR departments.

Summary

Human resource management is about managing people in organizations as effectively as possible for the good of the employees, the company, and society. As such, HR management is becoming more and more important to organizations in their effort of manage people as effect as possible.

The environment around us is changing rapidly. The challenges and demands facing organizations today is causing a serious reexamination of way to manage the business. In doing so, companies are discovering that a key way is through the effective management of human resources. Of course, there are differences among companies. You probably know of some companies where being serious about effective people management has never existed. And these companies may have always done alright. A closer look, however, may reveal that these companies may actually owe their success largely to their human resources! They may have had people with the right skills and with the right motivation: People who would have done well even without all the best HR activities. But also realize that the environment until recently was much more predictable and stable than it is today. Worldwide competition was almost nonexistent 30 years ago. So today organizations are saying, “We are in tough times now: Competition is fierce; there is constant pressure on prices; it is becoming more costly to bring on more employees; and even when we get them it is a challenge to keep them motivated.” Consequently, companies are doing everything possible to become and stay effective

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and to manage their organizations in order to survive and be profitable. Of course, these are all the things that HR management can do. And this is exactly what some of the most successful firms have learned over the past several years!

In managing their human resources effectively, successful firms in today's highly competitive environments have found that it pays to have everyone involved in the effort. Employees, line managers, and HR professionals have to work together if their firm is to be effective in managing their human resources. Because you are likely to be in one of more of these categories, we want to discuss the activities of HR management from all these viewpoints.

And in our discussions in the next several chapters, you will also see that a particular emphasis is given to certain themes, in particular, ethics and ethical issues, diversity in the work force, globalization, total quality management, and partnership.

Although you may not work in an HR department, or at least think you may not do so in your career, it is important for you to be familiar with these themes because they are impacting how organizations conduct business. And because of the partnership theme in managing human resources, it is very likely that you will be more involved in this endeavor than you might believe right now. Times change. This book is written to help you prepare for a future that is becoming more dependent on its human resources than ever before.

In the next chapter we will discuss issues associated with the HR department. Again, even if you do not end up working in such a department, it is important to know what the department could be doing and how they

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can help you in your effort to manage human resources (including yourself). If you do work in an HR department, you will have a much better ideas about the issues and challenges they face. As we discuss these issues and all the others in the following chapters, examples of what some of the best companies are doing will be used. They will show that the job can be done and, in fact, that it must be done if organizations are to be effective in a highly competitive, global environment!

B. THE HUMAN RESOURCES DEPARTMENT

The human resource department is the group formally established by an organization to assist in managing the organization's people as effectively as possible for the good of the employees, the company, and society.

The working partnership of HR staff, line managers, and employees in a major trend in business today. At times, this partnership extends outside the organization – for example, as the firm strives to forge better working relationship with it suppliers. It may venture into local education facilities as the HR staff works with schools to prepare students for internships in the firm. Today there is a lot happening in HR departments, in both small and large organizations. This department is being looked to a new as a key function that can improve the firm's competitiveness, profitability, and thus “survivability”!

1. Why Is The Human Resource Department Important?

In 1999, IBM and the internationally recognized HR consulting firm of Towers Perrin conducted a study of nearly 3000 senior HR leaders and CEO's worldwide. Results indicate that about 70% of HR managers see the HR department as a critical to the success of organizations. By the year 2000, more than 90% expect this

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department to be critical. While the HR respondents were perhaps a bit more positive about this trend, the CEOs very close behind.

Human resource department performs a broad variety of activities and they play a broad variety.

2. The Many Roles of Department

Effective firms in the highly competitive environments of today encourage their HR departments to play many roles in the organization. And the more roles they play well, the more likely they will be effective in improving the organization's productivity, enhancing the quality of work life in the organization, complying with all the necessary laws and regulations related to managing human resources effectively, gaining competitive advantage and enhancing work force.

a. The business role

Traditionally, HR departments had a relatively limited involvement in the total organization's affairs and goals. Personnel managers were often only concerned with making staffing plans, providing specific job training programs, or running annual performance appraisal programs (the result of which were sometimes put in the files, never to be used). They focused on the short term –perhaps day to day –needs of personnel.

With the growing importance of human resources to the success of the firm, HR managers and their departments are becoming more involved in the organization. They are getting to know the needs of the business –where it is going, where it should be going –and are helping it to get there. More typical today is the comment by Jim Alef corporate senior vice president and head, human resource, first Chicago Corporations.

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“All of our HR programs serve the bank’s mission. If they dint, we wouldn’t have them. In the last five years, we ‘ve become increasingly a part of the decision –making process at the bank” he says. “We assist with business strategy development by defining the hr implications of those strategies.”

“Its much more rewarding“ he adds. ” To be thinking participant on the front end f a decision, rather than someone who undoes the damage created by those decisions”

1. Linking HR to the business is the newest role-played by the HR department, and it may be the most important one. One consequence of this role is the increased involvement in the longer term, strategic directions of the organization. A second consequence is the new emphasis on long –term activities in addition to the more typical medium –and short –term activities. Within these three distinct time horizons, HR department are really functioning at 3 levels:
 1. Strategic,
 2. Managerial, and
 3. Operational.

i. Operational level

A operational level the HR department make staffing and recruitment plans, set up day to day monitoring system, administer wages and salary programs, administer benefits packages m set up annual or less frequent appraisal, and set up day to day control system. They also provide for specific job skill training and on the job training, fit in individuals to specific jobs and plan career moves.

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As the department begins to perform with in the business role these operational –level HR activities also get linked to the business. For example, training programs are explicitly designed to fill specific employee skills needed by the business.

ii. Managerial level

At the managerial level, HR departments validate personnel selection criteria, develop recruitment marketing plans, establish new recruitment markets, set up five year compensation plans for individuals, and set up benefit packages. They also set up systems that rate current employment conditions and future business potential. They set up assessment organizational development, foster self –development, identify career paths, in organizational development, foster self-development, identify career path s and provide career development services. While these activities could be done in any HR department, when done in a department that is linked with the business, they take on 2 specific characters.

For one, the formulating process is different -here the department debinds with an assessment to what is needed by the business. They types of leaders and managers needed to successfully drive the business are then identified before the assessment center is set up. For another content of the human resource activities, begins to represent the views of all employees –the managers and non-managers, inside an outside the human resource department.

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iii. Strategic level

At the strategic (longer-term) level, HR department get involved in broader decisions – those that provide overall direction and vision for the organization. For example, according to Kathryn Connors, Vice President of HR at Liz Claiborne,

Human resources is part of the strategic planning process. It's part of policy development, line extension planning, and the merger and acquisition processes. Little is done in the company that doesn't involve us in the planning, policy or finalizing stages of only deal.

This process of linking HR to the broader, longer-term needs of firms is the essence of strategic human resource management.

Typically, strategic business needs arise from decision organizations make, such as what products and services to offer and on what basis to compete-quality costs, or innovation, or for purposes of survival, growth, adaptability, and profitability. These decisions are associated with the formation and implementation of the organization's strategy, so they are likely to reflect characteristics of the nature of the business, top management's goals and values, organizational sizes, current and desired levels of profitability, technology, structure, and the life cycle of the business. Characteristics in the external environment that have an impact on organizational strategy include that basis upon which competitive battles are being won in the industry; the life cycle of the industry; social legal, political, and cultural factors; economic conditions; scope and degree of competition; labor pool attributes; and customers. Together these aspects of environment influence an

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organization's broader longer –term, strategic needs and even its mission statement.

B. Enabler role

In reality human resource programs succeed because line managers make them succeed. The department's bread –and butter job, therefore, is to enable line managers to make things happen. Thus, in the more traditional activities- such as selecting interviewing, training, evaluating, rewarding, counseling, promoting and firing- the HR department is basically providing a service to line managers. In addition, the department administers direct and indirect compensation programs. It also assists line managers by providing information about, and interpretation of equal employment opportunity legislation and safety and health standards.

To fulfill these responsibilities, the HR department must be assessable, o t it will lose touch with the line managers needs. The HR staff should be as close as possible to the employees. Being accessible and providing services and products to others is a trend called Customerization.

c. The monitoring role

Although the HR department may delegate much of the implementation of its activities to line managers, it is still responsible for seeing them implemented fairly and consistently – that is monitoring the outcomes of its programs. This is especially true today because of fair employment legislation. Various state and federal regulations are making increasingly sophisticated demands on organizations. Responses though these regulations is best made by a central group of top management.

Expertise is also needed for implementing human resource activities such as employee benefit administration. Since HR manager experts are costly, organization hire as few as possible and centralized them

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as well. Their expertise then filters to other areas of the organization.

d. The innovator role

Important and ever expanding roles for the HR department includes providing up to date application of current techniques and developing and exploring innovative approaches to personnel problems and concerns. Benchmarking certainly helps in this role.

Today, organizations are asking their human resource departments for innovative approaches and solutions on how to improve productivity and the quality of work life while complying with the law in an environment of high uncertainty, energy conservation, and intense international competition. They also demand approaches and solutions that can be justified in dollars and cents. Past approaches don't always make the cut in its environment; innovation is no longer a luxury-it's a necessity.

e. The adapter role

It is increasingly necessary for organizations to adapt new technologies, structures, processes, cultures and procedures to meet the demands of stiffer competition. Organizations look to the human resource department for the skills to facilitate organizational change and to maintain organizational flexibility and adaptability. One consequence of this adapter role is the need to be more future oriented. For example, as external environments and organizational strategies change new skills and competencies are needed. To ensure that the right skills and competencies are available at the appropriate time, HR departments must anticipate change. Having a mind –set of continuous change and continuous education, as Motorola has, fosters a flexible and adaptable work force. The HR department can be the role model of change and adaptability.

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3. ORGANIZING THE DEPARTMENT

In organizing the HR department, 2 major questions need to be addressed:

1. Where are the HR decisions made?
2. What alternatives does the company have?

The first question has to do with the advantages and disadvantages of centralized and decentralized organizations. The second question has to do with the issue of budgeting.

A. Centralization versus Decentralization

Centralization means that essential decision making and policy formulation are conducted at one location; decentralization means that the essential decision-making and policy formulation are conducted at several locations. (In various divisions or departments)

How HR departments are organized differs widely from one company to another not only because of the differing requirements of various industries, but also because of differing philosophies, cultures, and strategic plans of individual organizations. For purposes of illustration, let us compare the centralized structure of Merck with the decentralized structure of TRW.

In the centralized HR structure of Merck, large specialized corporate staffs formulate and design human resource strategies and activities. These are then communicated to the small HR staffs of operating units for

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implementation. High consistency and congruence with corporate goals are thus attained. In the decentralized model of TRW, small corporate staffs only manage the HR systems for executives and only act as advisors to operating units. Here there tends to be wider divergence in practices and greater flexibility in addressing local concerns.

Looking at the nature of the businesses of Merck and TRW, it is apparent that the organizational structures they use are very appropriate for their respective types of business. TRW, a high-technology company with a diverse array of businesses, cannot use the consistent, stable approach to HR that Merck, with a more singular product focus, is able to use.

Because of the rapidly changing and highly competitive environment, the trend seems to be toward greater decentralization. This entails a greater delegation of responsibilities to lower HR levels and to the operating units and line managers themselves. Along with this is the trend toward less formalization of policies - that is, fewer rules that are seen as bureaucratic hurdles. Human resource departments and their organizations thus have greater flexibility to cope with the continually changing environment. Diminished bureaucratization can also lead to a greater openness in approaches to problems. Of course, some activities such as fair employment issues and compensation matters may have to be centralized because of legal requirements and for the sake of consistency. Nevertheless, the general trend is for less formalization and less centralization. Thus we see firms such as Levi Strauss & Co. developing broad policy statements. Local units then develop HR practices that are tailored to specific needs and yet consistent with overall company philosophy.

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5. COMPENSATION AS AN ORGANIZATIONAL FORCE

Human resource management is becoming very attractive as a field of employment. The results of a recent compensation survey, along with the types of jobs in a human resource department are discussed in the coming chapters. In that survey, salaries were generally higher for those individuals in larger organizations, for those with ore experience, and for those individuals with more education. In addition salaries were higher in the northeast. The corporate HR director was the most highly paid in the survey of course, earning average of more than \$350,000 (including salary plus cash bonus and profit sharing.)

6. GLOBALIZATION

The globalization of world markets is inevitable. More and ore firms are moving operations outside their domestic boarders. The last two decades in particular have seen dramatic changes in international trade and business. Once safe markets are now fierce battlegrounds were firms aggressively fights for markets are now fierce battlegrounds were firms aggressively fight for market shares against both foreign and domestic competitors it is therefore, not surprising to find that, in an increasing number of firms, a large proportion if the work force is located in other countries. For example,

- The Ford Motor Company has half its employees outside the United States.
- Philips has three-fourth of its employees are outside The Netherlands
- More than half of Matsushitra Electric's employees are outside Japan
- Just over half of Ericsson's staff work outside Sweden

These trends are likely to continue throughout the 1990's as employers increasingly reach across boarders

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to find the skills they need. The multicultural work force is beginning to slowly percolate to the top echelons of the management of multinationals as well: Unilever headquarters staff includes 30 different nationalities, and Du Pout appointed its first non-American president in 1991.

Globalization is forcing managers to grapple with complex issues as they seek to gain or sustain a competitive advantage. Faced with unprecedented levels of foreign competition at home and abroad, firms are beginning to recognize that not only is international business high on the list of priorities for the top management, but finding and nurturing the human resources required to implement an international or global strategy is also of critical importance. Thus effective HR management is essential, especially for small and medium sized firms, where international expansion places extra stress on the limited pool of people. As Duerr points out;

Virtually any type of international problems, in the financial analysis, is either created by people or must be solved by people. Hence, having the right people in the right place at the right time emerges as the key to company's international growth. If we are successful in solving that problem m I am confident we can cope with all others.

- **Across Countries**

The complexities of operating in different countries and of employing different nationalities are the main factors that differentiate domestic and international HR management, rather than differences between the functions performed. Many companies underestimate the complexities involved in international operations, ad

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there is some evidences to suggest that business failures in the international business arena are often linked to poor management of human resources.

Increasingly, domestic HR is taking on an international flavor as the work forces become more and more diverse. But there are differences. The following issues differentiate international HR from domestic HR.

- **More functions and activities**

To operate in an international environment, the HR department must engage in a number of activities that would not be necessary in a domestic environment: international taxation, international relocation and orientation, administrative services for expatriates, host government relations, and language translation services.

- **Broader perspective**

Domestic managers generally administer programs for a single national group of employees who are covered by a uniform compensation policy and who are taxed by one government. International managers face the problem of designing and administering programs for more than one national group of employees, and they must therefore take a more global view of issues. This is exactly what is being done at Baxter, an international pharmaceutical company. Its activities are described in the feature “Managing Human Resources at Baxter: Managing Global Diversity.”

- **More involvement in employees’ lives**

A greater degree of involvement in employees’ personal lives is necessary for the selection, training, and effective management of expatriate employees. The international HR department needs to ensure that the expatriate employee understands housing arrangements, health care, and all aspects of the compensation

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package provided for the assignment.

- **Risk exposure**

Frequently, the human and financial consequences of failure in the international arena are more severe than in domestic business. For example, expatriate failure (the premature return of an expatriate from an international assignment) is a persistent, high-cost problem for international companies. Another aspect of risk exposure that is relevant to international HR is terrorism. Major multinational companies must now routinely consider this factor when planning international meetings and assignments.

- **More external influences**

Other factors that influence the international arena are the type of host government, the state of its economy, and business practices that may differ substantially from those of the originating country. A host government can, for example, dictate hiring procedures, as we the case in the late 1970s in Malaysia. The government required that foreign firms comply with what became known as the “30:30:30 Rule,” –that is, that 20 percent of employees be indigenous Malay, 30 percent Chinese Malay, and 30 percent Indian Malays, at all levels of the organization with monthly statistics required to corroborate this.

7. Across Cultures

Another variable that heavily impacts HR activities in the international arena is the widely differing cultural mores of the world – the cultural environment.

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- **The cultural environment**

There are many definition of culture, but they all in some way describe a “shaping” process. That is members of a group or society share a distinct way of life with common values, attitudes, and behaviors that are transmitted over time in a gradual, yet dynamic, process.

A person is not with a given culture; rather she or he acquires it through the socialization process that begins at birth. An American is not born with a liking for hot dogs, or a German with a natural preference for beer; these behavioral attributes are culturally transmitted.

Culture is so subtle a process that we are not always conscious of its effect on values, attitudes, and behaviors. We usually have to be confronted with a difference culture in order to fully appreciate this effect. Anyone traveling abroad, either as a tourist or businessperson, experiences situations that demonstrate cultural differences in language, food, dress, hygiene, and attitude to time. While the traveler can perceive these differences as novel, even enjoyable, for people required to live and work in a new country, such difference can prove difficult. They experience culture shock – a phenomenon experienced by people who move short period of time, challenging the person’s frame of reference to such as extent that his or her sense of self, especially in terms of nationality, comes into question. The person, in effect, reacts with shock to new cultural experiences. This causes psychological disorientation because he or she misunderstand or does not recognize the cues. Culture shock can lead to negative feeling about the host country and its people and a longing to return home.

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- **The importance of cultural awareness**

It is now generally recognized that culturally insensitive attitudes and behaviors stemming from ignorance or from misguided beliefs (“my way is best,” or “what works at home will work here”) not only are inappropriate, but often cause international business failure. Therefore, an awareness of cultural difference is essential for the HR manager. Activities such as hiring, promoting, rewarding, and dismissal will be determined by the practices of the host country and are often based on a value determined by the practices of the host country and are often based on a value system peculiar to that country’s culture. A firm may decide to head up a new overseas operation with an expatriate general manager, but appoint a local, a person who is familiar with the host country’s culture. A firm may decide to head up a new system peculiar to the country’s culture. A firm may decide to head up a new overseas operation with an expatriate general manager, but appoint a local, a person who is familiar with the host country’s HR practices, as the department manager.

This practice can cause problems, though, for the expatriate general manager, as happened to an Australian who was in charge of a new mining venture in Indonesia. The local responsible for recruitment could not understand why the Australian was upset to find that he had hired most of his extended family rather than staff with the required technical competence. The Indonesian was simply rather than staff with eh required technical competence. The Indonesian was simply ensuring that his duty to his family was fulfilled – since he was in a position to employ most of them, he was obligated to do so. The Australian, however, interpreted the Indonesian’s actions as nepotism, a negative practice according to his own value system.

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Here is an example of the fallacy of assuming “what works at home will work here” when dealing with work situations in another culture. The HR staffs of a large organization in Papua New Guinea were concerned over a number of accidents involving operators of very large, expensive, earth-moving vehicles. The expatriate managers investigating the accidents found that local drivers in the accidents were chewing betel nut, a common habit for most of the coastal peoples of Papua New Guinea and other Pacific islands. Associating the betel nut with depressants such as alcohol, the expatriate managers banned the chewing of betel nut during work hours. In another move to reduce the number of accidents, free coffee was provided at loading points and drivers were forced to alight from their vehicles at these locations. What the managers did not realize was that betel nut, like their culturally acceptable coffee, is, in fact a stimulant, though some of the drivers were chewing it to cover up the fact that they had had a few beers before commencing work. Many indigenous workers used betel nut as a pick-me-up in much the same way as the expatriates used coffee!

Adjusting to a new cultural environment can also cause problems not only for the expatriate employee, but also for the accompanying spouse and family members. Coping with cultural differences is a constant challenge for the international manager. Preparing expatriate and their families for the cultural environment they will encounter is now a key activity for HR departments in those international firms that appreciate (or have been forced, through experience, to appreciate) the impact that the cultural environment can have on staff performance and well-being.

8. CURRENT TRENDS

A. Becoming a World Class Department

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Human resource departments and professionals alike are striving for world-class competency. Many of the firms mentioned in this book certainly have world-class HR departments, and this basically means that they are;

- Relating HR to the needs of the business.
- Seen as a business unit within the firm (operating in the same way as other units – having customers, doing benchmarking, etc)
- Organized in a way that brings maximum service to the customer and maximum motivation to the HR staff.
- Making the best HR products available for the customers
- Implementing HR programs that fulfill the agendas of the HR group and the customers
- Actively sharing an HR vision with the entire group.
- Being a proactive group
- Involved in key business discussions
- Seen as a great place to work and as a model of a great organization

Because doing all these things is not necessary easy, many firms choose not to do them; some departments may say their companies are not big enough or globally enough. While these may be true, their competitors couldn't care less. The way things are today; the world is the playing field for all companies. However, those firms that do strive for world class competency usually capture the competitive advantage and find that their ability to survive and grow to be adaptable and profitable increases. Those HR departments that are choosing to be world class face many challenges but exciting demands on their talents

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B. Re- Engineering

Re –engineering the HR departments basically means taking a look at what the department is doing to see whether it can be done better and more effectively

Customerization is certainly consistent with re-engineering because it asks, what are we doing for our customers what do they want and how can we feel the gaps between what they get and what they want?

Re-engineering however while including this, goes much further. It seeks to examine all the parts of the departments with these questions in mind: what is the purpose of these groups, what and how does it do its job, and can it be done better, more effectively? As in Customerization, benchmarking can be used to ensure that the in the interest of continual improvement, the best available HR practices and activities are obtained.

Partnership mentioned in chapter one is often a result of re-engineering. The end product of such an endeavor is often amore effective department that better serves and involves the employee. Consequently, re-engineering is likely to grow in significance during the remainder of the 1990s.

C. Creating Mission Statements

The aspiration statement of Levi Strauss and company is typical of what is happening in the firms that have HR departments dedicated to doing the best job possible. They create an HR philosophy indicating how important people are to the firm (there is one discussion on the HR philosophy in chapter 3 under corporate culture). Then the HR departments take the next step: they create an HR mission statement for the department. An HR mission statement is general statement developed with the participation of all concerned that describes

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the values, objectives and the goals of the HR department. Mission statement can also be made by companies that describe the values objectives and the goals of the entire company. While HR mission statements may seem to the outsider to be mere platitudes, they are anything but. Often the significance of the mission statements lies in the process in which it is created. If the HR mission statement is created in a highly participatory process – that is, where all the employees, line managers, and HR staff are involved and where the public discussion brings clarity, understanding and commitment – then the end result is not merely a piece of paper, but a new atmosphere of partnership within the company. Everyone has a basis that they have created together upon which they can evaluate the nature and quality of the practices that are developed. These types of HR mission statements become beacons of understanding and cooperation. They enable firms to develop a crucial consistency in HR philosophies, policies, and practices. It is this consistency that in turn enables the human resource management to positively influence the bottom line of the organization. Another example of an HR mission statement, this one developed by Mike Mitchell and his HR team at the Swiss bank corporation, this was one product from the HR department described in our end of chapter case: “bringing the human resource department to the business”.

Summary

Because of the increasing complexity of human resource management nearly all organizations have established an HR department. Not all of these departments, however, perform all the activities discussed. A department's activity and the way it performs them - depend greatly on the roles the department plays in the organization. Organizations that are most concerned with the HR management allow the department to perform the business role as well as roles of enabler, monitor, innovator, and adapter. When this occurs, the

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departments are able to link their activities to the business and demonstrate their value to their organization by showing how their activities influence productivity, quality of working, life, competitive advantage, adaptabilities and legal compliance.

For each of the human resource activities described in chapter 1, departments can choose from many human resource practices. For example, in performance- based pay, human resource departments may choose to use a merit pay plan or profit sharing plan. In addition to being familiar with all the human resource practices, human resource departments need to know which ones to use spending upon the needs on the business. Thus human resource departments need to be staffed with individuals who are aware of all the human resource activities and practices and have a knowledge and appreciation of the business. They should also be knowledgeable about the goals and roles of human resource management in organizations.

Human resource professionals also need to be knowledgeable about issues of globalization. By going global, companies create many additional challenges for the HR department, what with radically differing employment laws in countries around the world to say nothing of subtle and opaque cultural differences that affect HR management. The knowledge needed to deal with these challenges can be gained through understanding the environment in which the firms operated today.

CHAPTER 3

UNDERSTANDING EXTERNAL AND INTERNAL ENVIRONMENTS

Why Is An Understanding of Environment Important?

Human resource activities do not exist in a vacuum; HR professional increase their effectiveness when

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they scan many aspects of the environment and not merely a few, or worse, one. They can thus link people management to the needs of the business and the demands of the external environment. While input from the scanning is useful for all HR activities, it is particularly critical for planning.

Without understanding these environments, organizations are likely, to be blindsided by events that could imperil their long-run success. Meaningful and timely responses to major events take time to develop and implement. Continuous scanning and analysis can give an organization the time it needs. Even in the short run, though, organizations must know about the environment in which they do business; for example, substantial fines and penalties are likely to be levied on firms that violate one or several of the numerous employment laws.

Take a moment to figure out what your responses would be, and note three of them on a separate sheet of paper. What aspects of the environment do you think to have the greatest impact on human resource management? Now, describe the implications of your responses that have the biggest discrepancies between today and the year 2000.

A. Employee Empowerment

Intense levels of domestic and international competition are forcing organizations to be more productive, more effective management of human resources is seen as a way to improve productivity. The nature of work force demographics means that efforts to improve productivity must include employees in the decision-making process. Greater employee involvement in workplace decisions is a growing trend: many individual want a greater say.

Organizations seeking to improve product and service quality go to great lengths to get their employees

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involved. Many empower employees – that is, give them the freedom and responsibility to make job-related decisions. They recognize employee empowerment as one sure way to improve quality. Many firms such as Corning Glass and Ford have found that empowerment is often the best way to reduce costs and improve profitability:

Officials at Ford Motor Company believe in empowerment. After watching profits and quality drop sharply in the late 1970s, management knew something had to be done. By using employee involvement and participative management programs, Ford not only listened and responded to employee problem-solving ideas, but management also encouraged employees to take the lead. As a result of these efforts, Ford experienced one of the most dramatic turnarounds of the past decade.

B. The Emerging Work Force

Ongoing changes in the work force in the United States contribute to several new and major HR concerns.

Work force educational attainment

After installing millions of dollars worth of computers in its Burlington, Vermont, factories, the IBM Corporation discovered, much to its dismay, that it had to teach high school algebra to thousands of workers before they could run the computers. David Kearns, Xerox's former chairman and CEO, has said, "The American work force is running out of qualified people". If current demographic and economic trends continue, American business will have to hire a million new workers a year who can't read, write, or count. Teaching them how, and absorbing

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the lost productivity while they're learning, will cost the industry \$25 billion a year for as long as it takes.

C. Women in the Work Force

During the 1990s, women are expected to continue to join the work force in substantial numbers. By the Year 2000, approximately 50 percent of the work force will be women, and 61 percent of all U.S. women will be working. Women will have comprised almost three-fifths of the new entrants into the labor force between 1985 and 2000.

For many women, especially those with more than average education and with career prospects, there is an economic and opportunity cost for bearing children that may be limiting their lifetime fertility, as well as encouraging them to postpone childbearing. Demographers now expect the average U.S. woman to bear fewer than two children, although she herself may anticipate having at least two. Many more women will be childless than had planned to be. While consequences of these trends have yet to be fully estimated, one likely outcome is childbearing that is explicitly planned to coincide with career choices.

By contrast, of new entrants into the labor force in this same period of time, only 15 percent will be native white male. The idea of increasing heterogeneity of the U.S. labor force is discussed.

Currently, the occupational makeup of the civilian labor force reflects much higher percentages of women in clerical positions and higher percentages of men in managerial and administrative jobs and employed as crafts workers.

At present, about 20 percent of women occupy professional and technical positions; most of those are in the

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nursing and teaching professions. Thus, most working females are in service, clerical (secretarial), nursing, and teaching jobs. The majority of men, on the other hand, are in semiskilled (operative), skilled (crafts workers), managerial and administrative, and professional and technical jobs.

D. Sexual Harassment

This distribution has, in part, resulted from the notion of job sex-typing. That is, a job takes the image of being appropriate only for the sex that dominates the job. Consequently, once a job becomes sex-typed, it attracts only persons of that sex. Job sex-typing, combined with sex-role stereotyping, has traditionally restricted perceived job choices and preferences for both men and women. Whereas job sex-typing refers to the labeling of jobs as either “men’s” jobs or “women’s” jobs, sex-role stereotyping refers to labels, characteristics, or attributes that become attached to men and women solely because they are members of their respective sexes.

Evidence now indicates that the range of perceived job choices and preferences is expanding for both men and women. This trend has been facilitated in part by the gradual reduction of sex-role stereotyping in our society. In addition, some of the job sex-typing has been reduced through sex-neutral job titles (often crafted by HR departments) and because of the increased number of women graduating from professional schools.

E. Minority Groups in the Work Force

In recent years, a minority group that has become increasingly vocal is the group comprised of disabled people. When the Americans with Disabilities Act was passed in 1990, supporters argued that

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1. There are almost 45million disabled Americans; and
2. The rest of the Americans might think of themselves as “temporarily abled.”

According to this way of looking at it them, almost everyone could at some point be disabled. This is a new way of looking at it then, almost everyone could at some point be disabled. This is a new way of looking at disabilities with some important implications for HR management practices.

Over the next decade, the racial profile of the American work force will change dramatically. African-Americans, Native Americans, Asians, and Hispanics will make up a larger share of the work force than ever before. Between 1990 and 2000, they will contribute 20 percent to the new work force. By the way, “Hispanic” identifies a group comprised of a number of nationalities and ethnicities of Hispanic origin – including persons from Mexico, Cuba, Puerto Rico, and the countries of Central and South America and the Dominican Republic. By far the largest nationality in this category hails from Mexico, which accounts for 63 percent of all Hispanics in the U.S. labor force.

Thus, while America has always been a land of immigrants, it was also thought to be a “melting pot,” where differences in background would disappear. Today, many individual differences are recognized by law and society as being very important. Consequently, we see many employment laws (which we will cover in other chapters) that deal with diversity and a much larger concern in both society and business for understanding and managing it. Thus we discuss diversity as a major human resources theme throughout this book.

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IMPLICATIONS FOR MANAGING HUMAN RESOURCES

A. *MANAGING DIVERSITY*

The radical demographic transformation in the work force means organizations must learn to manage a very diverse work force – African-Americans, Hispanics, Asians, males, females, young, old, and much more. Work force diversity means having workers with many different characteristics. For companies it can mean many, many groups. For Northern States Power (NSP) in Minneapolis, it means all the groups identified in the “HR Advice and Application: Diversity in Valuing Differences at NSP.” NSP sees the emerging work force diversity not only as a reality, but also as an opportunity. To support this philosophy, NSP has many human resource programs that enable it to “capitalize on diversity.”

In general, successful organizations react to diversity as the important business issue it is by implementing proactive, strategic human resource planning. Short-term strategic designed to circumvent the situation prevent an organization from effectively positioning itself in tomorrow’s world of cultural, genders, and life-style diversity. Top management in corporations, then, needs to emphasize to line managers two goals of “diversity competence”: productivity growth and market-share expansion, both domestically and internationally.

Human resource managers typically need to focus on nine key areas in managing diversity.

- Recruitment: Mount a concerted effort to find quality minority employees by improved college relations programs.

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- Career development: Expose those minority employees with high potential to the same key developmental jobs that traditionally have led to senior positions for their white, male counterparts.
- Diversity training for managers: Address stereotypes and cultural differences that interfere with the full participation of all employees in the workplace.
- Upward mobility: Break the “glass ceiling” and increase the number of minorities in upper management through mentors and executive appointment.
- Diverse input and feedback: Ask minority employees themselves what they need versus asking managers what they think minorities need.
- Self-help: Encourage networking and support groups among minorities.
- Accountability: Hold managers accountable for developing their diverse work forces.
- Systems accommodation: Develop respect and support for cultural diversity through reorganization of different cultural and religious holidays, diet restrictions, and so forth.
- Outreach: Support minority organizations and programs, thus developing a reputation as a multicultural leader.

Businesses are taking the diversity issue very seriously. Digital Equipment Corporation now has manager with the title of Manager of Valuing Difference. Honeywell, Inc., has a Director of Work Force Diversity and Avon Products, Inc., has a Director of Multicultural Planning and Design. Hewlett-Packard conducts training sessions for managers to teach them about different cultures and races and about their own gender biases and training needs, and Procter and Gamble has implemented “valuing diversity” programs throughout the company. A mentor program designed to retain black and female managers was developed at one plant, and one-day workshops on diversity is given to all new employees.

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Equitable Life Assurance encourages minorities and women to form support groups that periodically meet with the CEO to discuss problems in the company pertaining to them. At Avon, several councils represent various groups, each having a senior manager present at meetings. These councils inform and advise top management. Specific advice on managing diversity from the CEO of Avon, Jim Preston, is found in the “HR Advice and Application” features.

B. THE CHANGING ORGANIZATION

Organizations today are more global, leaner, flatter, more flexible faster, more customer oriented, more quality focused, and more innovative. Above all, today’s organizations are constantly changing. Change has become a constant. Restructuring, retraining, and retooling are the modus operandi. There is more employee involvement and skill utilization. At the same time, leaner and flatter organizational structures mean fewer jobs are needed. While organizations are benefiting from these trends, there is opportunity only for persons with the requisite skills, who are will and able to retain and retool, and for whom jobs exist.

Eliminating layers of employees continues to be an important aspect in shaping the organization. The typical target is middle management. The elimination of this group facilitates the process of decentralizing, the process so necessary to enhance the speed with which decisions can be made. Along with this trend is the use of the more contingent workers. Contingent workers are individuals hired on a limited-time basis. They are subject to dismissal on short notice and typically to do receive as many benefits as regular employees. There is also greater use of subcontracting. For example, IBM subcontracts with Pitney Bowes to run its mailrooms,

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stockrooms, and reproduction operations. Companies are increasingly outsourcing their payroll activities to payroll processing firms such as ADP (Automatic Data Processing). Again, these activities are occurring in concert as new lean and trim organizations form in the 1990s.

C. ADVANCED TECHNOLOGIES, AUTOMATION, AND ROBOTS

Information technology, office automation, factor automation, data communications, voice mail, and information systems are implemented together faster than ever and are virtually revolutionizing the ways we perform work and organized out companies. These so-called telematics technologies encompass

- Mainframe computers and associated information systems
- Microcomputers and word processors
- Networking technologies
- Reprography and printing
- Peripherals

Telematics technologies are enabling organizations to shape themselves into winners. They facilitate speed, flexibility, decentralization, and staying in close touch with the customer.

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D. THE INTERNAL ENVIRONMENT

Several aspects within organizations influence how effectively a firm manages its human resources. They include top management goals and values, organizational structure, and organizational size. These aspects often influence each other – for example, top management’s values shape organizational strategy, which in turn influence several HR management activities.

1. Top management’s goals and objectives

Top management determines how critical human resource management will be in organizations or top management minimizes the importance of people to the organization’s overall success so will the line managers. In turn, those in the HR department will perform only operational –level resource activities. A likely consequence will be minimally effective human resource management in the firm.

2. Goals and guidance

The jobs created by an organization are management’s most explicit statements of what they believe are the most appropriate means for accomplishing their goals. Stated goals and the subsequent standards of excellence that an organization establishes for job performance also give clear cues to employees about what is important and what behaviors are required. Thus, goals determine the criteria against which workers and their behaviors will be evaluated. The criteria in turn determine the kinds of individuals who will be attracted to the

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organization and how they will be evaluated and promoted. Thus organizational goals establish reasons for jobs, the organization's expectations for workers and even the legitimacy of the hobs demands.

3. Developing People

Top management's goals and values plus the support and commitment of the chief executive officer are important in the development of people.

Grab any Wall Street analyst by the lapel and he'll tell you PepsiCo is a brilliant marketing company. Well, sure but then ask CEO Wayne Calloway how it got that way and he'll talk not about those sick ads starring Madonna and Michael Jackson, but about what he calls the three P's. "People, people, people." Ah, touch –freely management? Anything but. Behind Calloway's alluring alliterative slogan lies the country's most sophisticated and comprehensive system for turning bright young people into strong managers.

Without top management support for and commitment to developing people m the major focus of an organization is likely to be on other activities. This is particularly true when the focus is on short-term goals ad immediate results. The short –term orientation allows too little time for the benefits of training and development to come through. Top management at Pepsi Co began to emphasize training and development when they recognized that they had to develop their people and business in order to be effective.

4. Rights and ethics

Top management shares responsibility in setting the stage for employee rights and ethical conduct

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because they set policy, with input from the HR department, on the treatment of employees and on the definition of ethical behavior. Top management's policy regarding these rights and what is ethical is important in shaping the way the organization's people are treated and the conduct of employees with respect to each other, customers, and to themselves.

For an excellent description of the role of top management regarding ethics read the features, "managing human resources at waste management corporation: building an ethical culture." Note the role the HR department plays in the communication process. Its role in the training process is described and all of this is influenced by corporate culture.

5. Corporate Culture

Organizational or corporate culture represents an organization's value system. Strongly influenced by top management, corporate culture typically indicated how an organization regards its customers, suppliers, competitors, the environment and its employees.

The aspect of corporate culture that refers to employees referred to as a company's HR philosophy. The HR philosophy is a statement of how the organization regards its human resources- what role people play in the overall success of the business and how they are to be treated and managed. Such a statement is typically very general, thus allowing interpretation at more specific levels of action within an organization. For example, The Weyerhaeuser Company in Tacoma, Washington, used its HR philosophy statement to describe what employees mean to the company and how they are to be managed. The following is an excerpt:

- People are mature, responsible individuals who want to contribute.
- People hold themselves to high standards of integrity and business ethics, they are responsible

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stewards of the land and environment.

- Our work environment is based on mutual respect, personal satisfaction, and growth opportunities for everyone.
- People recognize that teamwork, cooperation, and a clean, safe, well maintained workplace is essential to fulfilling our customer commitments.
- Continuing education is an ongoing commitment that involves everyone.

Instead of using the term HR philosophy or HR values to describe how employees are regarded and how they are to be treated and managed, some organizations just use the term culture –that is, “we will create a culture that recognizes how important we feel about people and how we are going to treat them.”

Culture is always reflected in the company’s HR activities. For example, companies such as Levi Strauss that has a culture of caring for and respecting the individual are likely to offer employment security and provide for a variety of employee needs. This is reflected in Levi Strauss’ aspiration statement. Many employees learn the culture and the HR policies of the organization through HR activities –how it selects what criteria it evaluated, and what it compensates most highly.

Corporate culture is very important for companies doing business worldwide. For example, as Pepsi-Cola (PepsiCo) expands its global business, it still wants to retain a certain image and a certain way of doing business. Having a culture that is shared worldwide helps Pepsi-Cola and its international division, Pepsi-Cola International (PCI) achieve a consistent image, as described in the feature, “Managing Human Resource Around the World: Pepsi-Cola International.”

6. Technology

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Technology generally refers to the equipment and knowledge used to produce goods and services. What we are witnessing today in organizations is a virtual discarding of yesterday's technology. For example, old technologies such as Henry Ford's mass production are ending up in the junkyard. In their place are new technologies, such as the "lean" production systems of Eiji Toyoda of Toyota and his production genius, Taiichi Ohno:

Just as the mass-production principles pioneered by Henry Ford and General Motors' Alfred Sloan swept away the age of craft production after World War I, so the ideas of Toyoda and Ohno are today chipping away at the foundations of mass production. We call their system "lean" production because it uses less of everything than a comparable mass-production operation: half the human effort in the factory, half the manufacturing space, half the investment in tools, half the engineering hours to develop a new product. Lean production is built not simply on technical insight but on a precisely defined set of relationships that extends far beyond the factory floor to encompass designers, suppliers, and customers.

In many organizations today, current employee skills are insufficient because of these technological changes. Consequently, retraining employees at organizations such as Xerox, Ford, GM, and General Electric is becoming common. Others are training new hires to meet their needs.

With the pace of technology accelerating, the most likely scenario is one of organizations continually retraining current employees and recruiting new employees with unique skills. Changing technology necessitates continual training program formulation and implementation, and employees who are willing to adapt, to be reassigned to different jobs, and to be retrained. By encouraging and supporting employees in these efforts, employers may provide employment security.

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E. ORGANIZATIONAL STRUCTURE

Organizational structure describes the number of levels of employees in an organization – the number of non-management and management levels, and the distribution of the decision-making process. Companies have tended to restructure themselves to be most effective in terms of quality and cost. They have done this by reducing the number of levels of employees (downsizing) and by decentralizing the decision –making process (moving decision making to lower levels):

A shrinking world has meant an expanding clock. Managers have shaped organizations that can respond quickly to developments abroad. As speed and agility become paramount virtues, we will see even more decentralization, with responsibility closer to the operating level.

A. Organizational Size

Organizational size is also an important factor in HR activities. Although exceptions exist, generally the larger the organization, the more developed its internal labor market and the less its reliance on the external labor market. In contrast, the smaller the organization, the less developed its internal labor market and the greater its reliance on the external labor market.

The organization that relies more on an internal labor market is itself the critical factor in deciding how much to pay people and what job evaluation, job classifications, and equity will be used. For the organization that relies most on the external labor market, the determining factor in such issues as pay rates and equity will be what other organizations are doing in these areas.

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Human resource departments in smaller organizations also tend to be small. As mentioned earlier, the number of HR professionals per 100 is about 1. Well, if an organization has 50 employees, it may very well not even have an HR department. Yes, there may be an administrative assistant or special outside firm such as ADP that does the payroll; but most things related to managing people will fall to the line managers. In this situation, then, the partnership is between the line managers and the employees. As firms get larger, they take on a staff of HR professionals who share in this partnership. It is important, however, that the line managers stay involved in this relationship.

When the size of the firms is discussed, several measures can be used. The federal government typically defines small organizations as having fewer than 500 employees. Others define small to mean fewer than 100 employees. In either case, firms over 500 employees are than labeled as large organizations. The median size of firms in the United States is 20 employees.

Firm size is important not only because it determines the size of the HR department and whether internal or external labor market take precedence, but also because legal considerations impact large and small firms differently. Federal legislation generally applies to firms with 15 or more employees. State and city employment legislation, however, can apply to firms of all sizes. It is incumbent on firms themselves to know which categories they fall under and which laws apply to them.

B. Competitive Strategies

Organizations continually develop strategies to beat their competitors. Harvard's Michael Porter suggested three ways firms can beat their competitors:

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- Quality improvement
- Cost reduction
- Innovation

These are significant for HR management because they determine needed employee behaviors. That is, for competitive strategies to be successfully implemented, employees have to behave in certain ways.

i. quality improvement

Organizations are continually confronted and challenged with the need to deliver quality goods and services. Domestic and international competition forces this, of course, but so do consumers. As consumers, we continue to demand high-quality products and are willing to buy from whoever offers such products. To keep matters interesting, the ante on playing in this international arena of high quality keeps going up: what was acceptable quality yesterday is unacceptable today. Thus, organizations must continue to pursue quality improvement with a vengeance; HR management is central to quality improvement.

Do you think the quality of service you get from a bank has anything to do with the

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treatment you get from the bank's tellers? Do you think the quality of the stereo, VCR, CD player, or car you drive has anything to do with level of motivation, dedication, training, and commitment of the individuals making these products? Of course. In both cases, product quality depends on the people we are dealing with as well as on the people behind the scenes who make the products. Total quality depends on all parts of the organization working together. Consequently, organizations are bound to give increasing attention to their human resources as they seek to enhance their product quality. Further implications of quality improvement are described in detail in Total Quality Management.

ii. innovation

A third competitive strategy is the continued need to develop new products and offer new services. The same environment that necessitates quality improvement and cost reduction also necessitates innovation. Some observers believe this is where the United States should concentrate its efforts. If we cannot make the cheapest products or the highest quality products, we can at least develop products no one else has and get them to market faster once we have developed them. Innovation requires careful HR management; it takes highly talented people managed very effectively to develop new products and ideas. Some

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U.S. firms such as Motorola have shown that they can do this rather well. The challenge in the future is for more firms to do this and for those doing it to stay ahead of domestic and international competitors.

While these strategies have definite implications for HR management, so do other strategies. Since some of them such as the life-cycle stage of a firm have a particularly significant impact on compensation practices