

Chapter 11

Human Resource Management

1

The importance of human resource management (HRM)

- Necessary part of the organising function of management
 - Selecting, training, and evaluating the work force
- As an important strategic tool
 - HRM helps establish an organisation's sustainable competitive advantage.
- Adds value to the firm
 - High performance work practices lead to both high individual and high organisational performance.

High-performance work practices

- Self-directed work teams
- Job rotation
- High levels of skills training
- Problem-solving groups
- Total quality management procedures and processes
- Encouragement of innovative and creative behavior
- Extensive employee involvement and training
- Implementation of employee suggestions
- Contingent pay based on performance
- Coaching and mentoring
- Significant amounts of information sharing
- Use of employee attitude surveys
- Cross-functional integration
- Comprehensive employee recruitment and selection procedures

The human resource management process

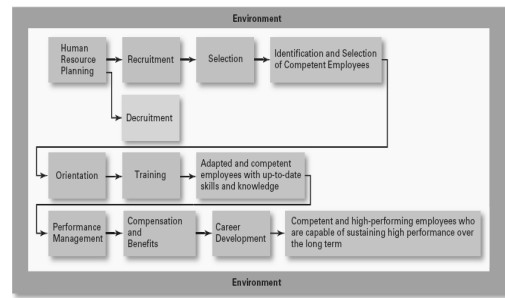


Figure 11.2

Environmental factors affecting HRM

- Labour union
 - An organisation that represents workers and seeks to protect their interests through collective bargaining.
- Collective bargaining agreement
 - A contractual agreement between a firm and a union elected to represent a bargaining unit of employees of the firm in bargaining for:
 - Wage, hours, and working conditions.

- Affirmative action
 - The requirement that organisations take proactive steps to ensure the full participation of protected groups in its workforce.
- Laws and regulations
 - Limit managerial discretion in hiring, promoting, and discharging employees.

Managing human resources

- Human resource (HR) planning
 - The process by which managers ensure that they have the right number and kinds of people in the right places, and at the right times, who are capable of effectively and efficiently performing their tasks.
 - Helps avoid sudden talent shortages and surpluses.
 - Steps in HR planning:
 - Assessing current human resources
 - Assessing future needs for human resources
 - Developing a program to meet those future needs

Current assessment

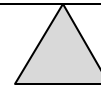
- Human resource inventory
 - A review of the current make-up of the organisation's current resource status
 - Job Analysis
 - An assessment that defines a job and the behaviors necessary to perform the job
 - Knowledge, skills, and abilities (KSAs)
 - Requires conducting interviews, engaging in direct observation, and collecting the self-reports of employees and their managers.

Current assessment (cont'd)

- Job description
 - A written statement of what the job holder does, how it is done, and why it is done.
- Job specification
 - A written statement of the minimum qualifications that a person must possess to perform a given job successfully.

Meeting future human resource needs

Supply of Employees **Demand for Employees**



Factors Affecting Staffing

- Strategic Goals
- Forecast demand for products and services
- Availability of knowledge, skills, and abilities

Recruitment and decruitment

- Recruitment
 - The process of locating, identifying, and attracting capable applicants to an organisation
- Decruitment
 - The process of reducing a surplus of employees in the workforce of an organisation
- E-recruiting
 - Recruitment of employees through the Internet
 - organisational web sites
 - Online recruiters

Major sources of potential job candidates

Source	Advantages	Disadvantages
Internet	Reaches large numbers of people; can get immediate feedback	Generates many unqualified candidates
Employee referrals	Knowledge about the organization provided by current employee; can generate strong candidates because a good referral reflects on 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

Table 11.1

Selection

- Selection process
 - The process of screening job applicants to ensure that the most appropriate candidates are hired.
- Selection
 - An exercise in predicting which applicants, if hired, will be (or will not be) successful in performing well on the criteria the organisation uses to evaluate performance.
 - Selection errors:
 - Reject errors for potentially successful applicants
 - Accept errors for ultimately poor performers

Validity and reliability

- Validity (of prediction)
 - A proven relationship between the selection device used and some relevant criterion for successful performance in an organisation.
 - High tests scores equate to high job performance; low scores to poor performance.
- Reliability (of prediction)
 - The degree of consistency with which a selection device measures the same thing.
 - Individual test scores obtained with a selection device are consistent over multiple testing instances.

Types of selection devices

- **Application forms**
- **Written tests**
- **Performance simulations**
- **Interviews**
- **Background investigations**
- **Physical examinations**



Written tests

- Types of tests
 - Intelligence: how smart are you?
 - Aptitude: can you learn to do it?
 - Attitude: how do you feel about it?
 - Ability: can you do it?
 - Interest: do you want to do it?
- Legal challenges to tests
 - Lack of job-relatedness of test to job requirements
 - Discrimination in equal employment opportunity against members of protected classes

Performance simulation tests

- Testing an applicant's ability to perform actual job behaviors, use required skills, and demonstrate specific knowledge of the job.
 - **Work sampling**
 - Requiring applicants to actually perform a task or set of tasks that are central to successful job performance.
 - **Assessment centers**
 - Dedicated facilities in which job candidates undergo a series of performance simulation tests to evaluate their managerial potential.

Other selection approaches

- Situational interviews
 - Interviews in which candidates are evaluated on how well they handle role play in mock scenarios.
- Background investigations
 - Verification of application data
 - Reference checks:
 - Lack validity because self-selection of references ensures only positive outcomes.
- Physical examinations
 - Useful for physical requirements and for insurance purposes related to pre-existing conditions.

Other selection approaches (cont'd)

- Realistic job preview (RJP)
 - The process of relating to an applicant both the positive and the negative aspects of the job.
 - Encourages mismatched applicants to withdraw.
 - Aligns successful applicants' expectations with actual job conditions; reducing turnover.

Selection decision outcomes

		Selection Decision	
		Accept	Reject
Later Job Performance	Successful	Correct Decision	Reject Error
	Unsuccessful	Accept Error	Correct Decision

Figure 11.4

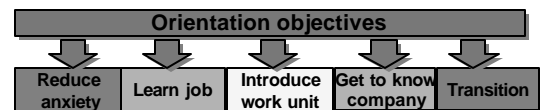
Decruitment options

Option	Description
Firing	Permanent involuntary termination
Layoffs	Temporary involuntary termination; may last only a few days or extend to years
Attrition	Not filling openings created by voluntary resignations or normal retirements
Transfers	Moving employees either laterally or downward; usually does not reduce costs but can reduce intraorganizational supply-demand imbalances
Reduced workweeks	Having employees work fewer hours per week, share jobs, or perform their jobs on a part-time basis
Early retirements	Providing incentives to older and more senior employees for retiring before their normal retirement date
Job sharing	Having employees share one full-time position

Table 11.2

Orientation

The introduction of a new employee into his or her job and the organisation.



Orientation

- Transitioning a new employee into the organisation.
 - **Work-unit orientation**
 - Familiarises new employee with work-unit goals
 - Clarifies how his or her job contributes to unit goals
 - Introduces he or she to his or her coworkers
 - **Organisation orientation**
 - Informs new employee about the organisation's objectives, history, philosophy, procedures, and rules.
 - Includes a tour of the entire facility

Employee training methods

- **Traditional Training Methods**
 - On-the-job
 - Job rotation
 - Mentoring and coaching
 - Experiential exercises
 - Workbooks/manuals
 - Classroom lectures
- **Technology-Based Training Methods**
 - CD-ROM/DVD/Videotapes/ Audiotapes
 - Videoconferencing/teleconferencing/ Satellite TV
 - E-learning or other interactive modules.

Employee performance management

- Performance management system
 - A process establishing performance standards and appraising employee performance in order to arrive at objective HR decisions and to provide documentation in support of those decisions.

Performance appraisal methods

- **Written essays**
- **Critical incidents**
- **Graphic rating scales**
- **Behaviorally anchored rating scales (BARS)**
- **Multiperson comparisons**
- **Management By Objectives (MBO)**
- **360 Degree feedback**

Compensation and benefits

- Benefits of a fair, effective, and appropriate compensation system
 - Helps attract and retain high-performance employees
 - Impacts on the strategic performance of the firm
- Types of compensation
 - Base wage or salary
 - Wage and salary add-ons
 - Incentive payments
 - Skill-based pay

Contemporary HRM issues

- Downsizing
 - The planned elimination of jobs in an organisation
 - Provide open and honest communication.
 - Reassure survivors.
- Managing work force diversity
 - Recruitment for diversity
 - Selection without discrimination
 - Orientation and training that is effective

Contemporary HRM issues (cont'd)

- Sexual harassment
 - An unwanted activity of a sexual nature that affects an individual's employment.
 - Unwanted sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature when submission or rejection of this conduct explicitly or implicitly affects an individual's employment.
 - An offensive or hostile environment
 - An environment in which a person is affected by elements of a sexual nature.

Contemporary HRM issues (cont'd)

- Work-life balance
 - Employees have personal lives that they don't leave behind when they come to work.
 - organisations have become more attuned to their employees by offering family-friendly benefits:
 - On-site child care
 - Summer day camps
 - Flextime
 - Job sharing
 - Leave for personal matters
 - Flexible job hours

Accounting for People: Class Discussion

- 1. *What do you think Ernst & Young's philosophy might be regarding the role of strategic human resource management? Explain.*
- 2. *On the basis of information included in the case, create a recruitment advertisement for a junior tax accountant that Ernst & Young might use.*
- 3. *What do you think of the company's life-balance initiatives? Do you agree with the company's philosophy? Or does a person who pursues a profession, such as accounting, just have to face the reality of what being a professional entails?*
- 4. *What could other companies learn from Ernst & Young's experiences?*
- 5. *Check out Ernst & Young's Web site [www.ey.com]. Describe what information you find there about the company's life-balance initiative.*