* 1. The Strategic Role of Human Resource Management
* 2. After studying this chapter, you should be able to: Explain what human resource management (HR) is and how it relates to the management process. Give at least eight examples of how managers can use HR concepts and techniques. Illustrate the HR management responsibilities of line and staff (HR) managers. Provide a good example that illustrates HR’s role in formulating and executing company strategy. Write a short essay that addresses the topic: why metrics and measurement are crucial to today’s HR managers. Outline the plan of this book. © 2005 Prentice Hall Inc. All rights reserved. 1–
* 3. The Manager’s Human Resource Management Jobs Management process The five basic functions of planning, organizing, staffing, leading, and controlling. Human resource management (HRM) The policies and practices involved in carrying out the “people” or human resource aspects of a management position, including recruiting, screening, training, rewarding, and appraising.
* 4. Personnel Aspects Of A Manager’s Job Conducting job analyses (determining the nature of each employee’s job) Planning labor needs and recruiting job candidates Selecting job candidates Orienting and training new employees Managing wages and salaries (compensating employees) Providing incentives and benefits Appraising performance Communicating (interviewing, counseling, disciplining) Training and developing managers Building employee commitment
* 5. Personnel Mistakes Hire the wrong person for the job Experience high turnover Have your people not doing their best Waste time with useless interviews Have your company in court because of discriminatory actions Have your company cited by OSHA for unsafe practices Have some employees think their salaries are unfair and inequitable relative to others in the organization Allow a lack of training to undermine your department’s effectiveness Commit any unfair labor practices
* 6. Basic HR Concepts Getting results The bottom line of managing HR creates value by engaging in activities that produce the employee behaviors the company needs to achieve its strategic goals.
* 7. Line and Staff Aspects of HRM Line manager A manager who is authorized to direct the work of subordinates and is responsible for accomplishing the organization’s tasks. Staff manager A manager who assists and advises line managers.
* 8. Line Managers’ HRM Responsibilities Placing the right person on the right job Starting new employees in the organization (orientation) Training employees for jobs new to them Improving the job performance of each person Gaining creative cooperation and developing smooth working relationships Interpreting the firm’s policies and procedures Controlling labor costs Developing the abilities of each person Creating and maintaining department morale Protecting employees’ health and physical condition
* 9. Functions of the HR Manager A line function The HR manager directs the activities of the people in his or her own department and in related service areas (like the plant cafeteria). A coordinative function HR managers also coordinate personnel activities, a duty often referred to as functional control . Staff (assist and advise) functions Assisting and advising line managers is the heart of the HR manager’s job.
* 10. HR and Authority Authority The right to make decisions, direct others’ work, and give orders. Implied authority The authority exerted by an HR manager by virtue of others’ knowledge that he or she has access to top management. Line authority The authority exerted by an HR manager by directing the activities of the people in his or her own department and in service areas.
* 11. Employee Advocacy HR must take responsibility for: Clearly defining how management should be treating employees. Making sure employees have the mechanisms required to contest unfair practices. Represent the interests of employees within the framework of its primary obligation to senior management.
* 12. Examples of HR Job Duties Recruiters Search for qualified job applicants. Equal employment opportunity (EEO) coordinators Investigate and resolve EEO grievances, examine organizational practices for potential violations, and compile and submit EEO reports. Job analysts Collect and examine information about jobs to prepare job descriptions.
* 13. Examples of HR Job Duties (cont’d) Compensation managers Develop compensation plans and handle the employee benefits program. Training specialists Plan, organize, and direct training activities. Labor relations specialists Advise management on all aspects of union–management relations.
* 14. HR Department Organizational Chart (Large Company) Figure 1 –1 Source: Adapted from BNA Bulletin to Management , June 29, 2000.
* 15. Cooperative Line and Staff HR Management The line manager’s responsibility is to specify the qualifications employees need to fill specific positions. HR staff then develops sources of qualified applicants and conduct initial screening interviews HR administers the appropriate tests and refers the best applicants to the supervisor (line manager), who interviews and selects the ones he or she wants.
* 16. HR Organizational Chart (Small Company) Figure 1 –2
* 17. Employment and Recruiting—Who Handles It? (percentage of all employers) Figure 1 –3 Source: HR Department Benchmarks and Analysis,” BNA/Society for Human Resource Management , 2002. Note: length of bars represents prevalence of activity among all surveyed employers.
* 18. The Changing Environment Of HR Management HR’s changing role: “ Personnel departments” Took over hiring and firing from supervisors, payroll, and benefit plans administration. In the 1930s added “protecting the firm in its interaction with unions” responsibilities (labor relations). Assumed organizational responsibilities for equal employment and affirmative action.
* 19. A Changing HR Environment Globalization Technological Advances Exporting Jobs The Nature of Work Workforce Demographics
* 20. Employment Exodus: Projected Loss of Jobs and Wages Figure 1 –4 Source: Michael Shroeder, “States Fight Exodus of Jobs,” Wall Street Journal , June 3, 2003, p. 84.
* 21. Measuring HR’s Contribution Strategy The company’s long-term plan for how it will balance its internal strengths and weaknesses with its external opportunities and threats to maintain a competitive advantage. HR managers today are more involved in partnering with their top managers in both designing and implementing their companies’ strategies. Top management wants to see, precisely, how the HR manager’s plans will make the company more valuable.
* 22. HR Metrics Absence Rate [(Number of days absent in month) ÷ (Average number of employees during mo.) × (number of workdays)] × 100 Cost per Hire (Advertising + Agency Fees + Employee Referrals + Travel cost of applicants and staff + Relocation costs + Recruiter pay and benefits) ÷ Number of Hires Health Care Costs per Employee Total cost of health care ÷ Total Employees HR Expense Factor HR expense ÷ Total operating expense Figure 1 –5 Sources: Robert Grossman, “Measuring Up,” HR Magazine , January 2000, pp. 29–35; Peter V. Le Blanc, Paul Mulvey, and Jude T. Rich, “Improving the Return on Human Capital: New Metrics,” Compensation and Benefits Review , January/February 2000, pp. 13–20;Thomas E. Murphy and Sourushe Zandvakili, “Data and Metrics-Driven Approach to Human Resource Practices: Using Customers, Employees, and Financial Metrics,” Human Resource Management 39, no. 1 (Spring 2000), pp. 93–105; [ HR Planning , Commerce Clearing House Incorporated, July 17, 1996;] SHRM/EMA 2000 Cost Per Hire and Staffing Metrics Survey ; www.shrm.org.
* 23. HR Metrics (cont’d) Human Capital ROI Revenue − (Operating Expense − [Compensation cost + Benefit cost]) ÷ (Compensation cost + Benefit cost) Human Capital Value Added Revenue − (Operating Expense − ([Compensation cost + Benefit Cost]) ÷ Total Number of FTE Revenue Factor Revenue ÷ Total Number of FTE Time to fill Total days elapsed to fill requisitions ÷ Number hired Figure 1 –5 (cont’d) Sources: Robert Grossman, “Measuring Up,” HR Magazine , January 2000, pp. 29–35; Peter V. Le Blanc, Paul Mulvey, and Jude T. Rich, “Improving the Return on Human Capital: New Metrics,” Compensation and Benefits Review , January/February 2000, pp. 13–20;Thomas E. Murphy and Sourushe Zandvakili, “Data and Metrics-Driven Approach to Human Resource Practices: Using Customers, Employees, and Financial Metrics,” Human Resource Management 39, no. 1 (Spring 2000), pp. 93–105; [ HR Planning , Commerce Clearing House Incorporated, July 17, 1996;] SHRM/EMA 2000 Cost Per Hire and Staffing Metrics Survey ; www.shrm.org.
* 24. HR Metrics (cont’d) Training Investment Factor Total training cost ÷ Headcount Turnover Costs Cost to terminate + Cost per hire + Vacancy Cost + Learning curve loss Turnover Rate [Number of separations during month ÷ Average number of employees during month] × 100 Workers’ Compensation Cost per Employee Total WC cost for Year ÷ Average number of employees Figure 1 –5 (cont’d) Sources: Robert Grossman, “Measuring Up,” HR Magazine , January 2000, pp. 29–35; Peter V. Le Blanc, Paul Mulvey, and Jude T. Rich, “Improving the Return on Human Capital: New Metrics,” Compensation and Benefits Review , January/February 2000, pp. 13–20;Thomas E. Murphy and Sourushe Zandvakili, “Data and Metrics-Driven Approach to Human Resource Practices: Using Customers, Employees, and Financial Metrics,” Human Resource Management 39, no. 1 (Spring 2000), pp. 93–105; [ HR Planning , Commerce Clearing House Incorporated, July 17, 1996;] SHRM/EMA 2000 Cost Per Hire and Staffing Metrics Survey ; www.shrm.org.
* 25. Measuring HR’s Contribution The HR Scorecard Shows the quantitative standards, or “metrics” the firm uses to measure HR activities. Measures the employee behaviors resulting from these activities. Measures the strategically relevant organizational outcomes of those employee behaviors.
* 26. Benefits of a High Performance Work System (HPWS) Generate more job applicants Screen candidates more effectively Provide more and better training Link pay more explicitly to performance Provide a safer work environment Produce more qualified applicants per position More employees are hired based on validated selection tests Provide more hours of training for new employees Higher percentages of employees receiving regular performance appraisals.
* 27. The New HR Manager New Proficiencies HR proficiencies Business proficiencies Leadership proficiencies Learning proficiencies
* 28. The New HR Manager (cont’d) The Need to “Know Your Employment Law” Equal employment laws Occupational safety and health laws Labor laws
* 29. Effects CFOs Believe Human Capital Has on Business Outcomes Figure 1 –6 Source: Steven H. Bates, “Business Partners,” HR Magazine , September 2003, p. 49
* 30. The New HR Manager Ethics and HR Ethical lapses (e.g., Enron, Martha Stewart) Sarbanes-Oxley Act in 2003 Intended to curb erroneous corporate financial reporting: Requires CEOs and CFOs to certify their companies’ periodic financial reports. Prohibits personal loans to executive officers and directors. Requires CEOs and CFOs to reimburse their firms for bonuses and stock option profits if corporate financial statements subsequently require restating.
* 31. HR Professional Certification HR is becoming more professionalized. Society for Human Resource Management (SHRM) SHRM’s Human Resource Certification Institute (HRCI) SPHR (senior professional in HR) PHR (professional in HR) certificate
* 32. HR and Technology Benefits of technological applications for HR Intranet-based employee portals through which employees can self-service HR transactions. The availability of centralized call centers staffed with HR specialists. Increased efficiency of HR operations. The development of data warehouses of HR-related information. The ability to outsource HR activities to specialist service providers.
* 33. The Plan of This Book: Basic Themes HR management is the responsibility of every manager —not just those in the HR department. HR managers must always stand ready to defend their plans and contributions in measurable terms. An HR department’s performance is measured relative to achieving the company’s strategic aims. HR managers increasingly rely on IT to help support the company’s strategic aims. Virtually every HR-related decision managers make has legal implications. Globalization and diversity are important HR issues today.
* 34. Strategy and the Basic HR Process Figure 1 –8
* 35. KEY TERMS management process human resource management (HRM) authority line manager staff manager line authority implied authority functional control employee advocacy globalization nontraditional workers human capital strategy metrics HR Scorecard outsourcing