

Chapter 2:

FUNDAMENTALS OF STRATEGIC HRM

LEARNING OUTCOMES

After reading this chapter, students should be able to:

- Describe the importance of human resource management.
- Identify the primary external influences affecting human resource management.
- Characterize how management practices affect human resource management.
- Discuss the effect of labor unions on human resource management.
- Outline the components and the goals of the staffing, training, and development functions of human resource management.
- List the components and goals of the motivation and maintenance functions.
- Outline the major activities in the employment, training and development, compensation and benefits, and employee relations departments of human resource management.
- Explain how human resource management practices differ in small businesses and in international settings.

CHAPTER OVERVIEW

This chapter opens with a narrative describing how Home Depot's human resource department aligned itself with the organization's strategy by cutting its staff as drastically as the rest of the company did during the economic downturn. The chapter continues by stressing the importance of human resources to all organizations, and the fact that human resource management is an integral part of the broader practice of management is explained. The increasingly important role and professional status of HRM in organizations is presented, and an overview given of the four HRM functions -- staffing, training and development, motivation and maintenance. A discussion of external influences includes a brief history of management thought. Typical organizational structures and work roles for HRM departments representing each of the four functions are summarized, as well as trends toward outsourcing and shared services. Final sections discuss the nature of HRM in an entrepreneurial enterprise, issues relevant to HRM in a global environment, and HRM's role in corporate ethics.

Additional Features of This Chapter:

Exhibits include:

2 – 1: Strategic HR Aligns with Organizational Strategy

2 – 2: Human Resource Management: Primary Activities

2 – 3: Training and Development Activities

- 2 – 4: Relevant Laws Affecting HRM Practices
- 2 – 5: Selected HR Salaries
- 2 – 6: Advancing in Your HR Career

Did You Know – A Management Recap on page 32 describes how HRM is a subset of the field of management, and tells how managers work with people to achieve the goals of an organization while utilizing limited resources.

Workplace Issue – HRM Certification on page 44 lists the types of HRM certifications and the organizations tied to each.

Ethical Issues in HRM – Purposely Distorting Information on page 46 provides two scenarios relating to the intentional distortion of information.

ADDITIONAL LECTURE OR ACTIVITY SUGGESTIONS

Introductory “Bingo”: Each box in a Bingo grid format can represent a personal attribute or experience relevant to HR (e.g., “wants to work with people,” “is a business major,” “speaks a foreign language”). Students mingle with each other, putting an individual’s name in a box if the student matches the description. Each name can only be used once. The first student to get six names across, down, or diagonally is the “winner” of the Bingo game. This is a great ice-breaker. Box descriptions can be used as the basis for an introductory discussion; e.g., you can discuss the nature of HR work, the education required, the relevance of foreign languages, etc.

This is an excellent time to talk about HR career paths and the relevance of different majors. The profession of HR has many career paths, and HR practitioners come from a variety of academic and work backgrounds. In most introductory HR classes you will have individuals from a variety of majors who often do not fully understand the similarities, differences, and ways that different academic areas complement each other. Consider assigning this as a brief interview of a local HR professional or member of their employer’s HR organization.

If your school has a chapter of the Society for Human Resource Management (SHRM) this is a good time to introduce students to the benefits of a professional association. If you do not have a chapter, perhaps there may be a local chapter which welcomes students at its meetings or which will provide a speaker who can give an overview of HR activities in the area. Make sure students investigate student memberships, which usually have discounted membership fees.

CHAPTER OUTLINE AND LECTURE SUGGESTIONS

I. INTRODUCTION

- A. People, not buildings, equipment, or brand names make a company and, as such, it is important to recognize the important role employees play in making organizations work.

II. WHY IS HRM IMPORTANT TO AN ORGANIZATION?

- A. The role of human resource managers has changed. HRM jobs today require a new level of sophistication.

1. Federal and state employment legislation has placed new requirements on employers.
2. Jobs have become more technical and skilled.
3. Traditional job boundaries have become blurred with the advent of such things as project teams and telecommuting.
4. Global competition has increased demands for productivity.

B. The Strategic Nature

1. HRM must be a strategic business partner and represent employees.
 - a. **Transactional** work, which is administrative work.
 - b. **Tactical** work that involves developing solutions that benefit employee work groups.
 - c. **Strategic** work that benefits the entire organization by aligning services that are linked to long term goals.
2. HRM must be forward-thinking, support the business strategy, and assist the organization in maintaining competitive advantage. Exhibit 2 – 1 details four organizational strategies with which strategic HR aligns
 - a. Cost differentiation – provide great value and low cost.
 - b. Product differentiation – deliver product/service that is similar to competitors, but incorporates a feature(s) that differentiates it.
 - c. Customer intimacy – strong personal relationship between provider of product/service and customer.
 - d. Customer/Market focus – unique target market characteristics.

III. THE HRM FUNCTIONS

- A. Exhibit 2 – 2 (Human Resource Management: Primary Activities) shows the four primary functions of HRM: staffing, training and development, motivation, and maintenance.

B. Staffing Function

1. Goal: To locate competent employees and bring them into the organization.
2. Employment planning ensures that staffing will contribute to the organization's mission and strategy.
3. Recruitment is the process of attracting a pool of qualified applicants that is representative of all groups in the labor market.

4. To help attract potential employees, employers are following a “branding” strategy, which assists candidates in selecting an employer they perceive to be a good fit with their values, personality, and work ethic.
5. Job analysis is used to determine the specific knowledge, skills, and abilities (KSAs) needed to be successful in a particular job and to define the essential functions of the job.
6. Selection refers to the process of assessing who will be successful on the job and the communication of information to assist job candidates in their decision to accept an offer.

C. Training and Development Function

1. Goal: To have competent, adapted employees who possess up-to-date skills, knowledge, and abilities needed to perform their jobs successfully.
2. Orientation and socialization help employees to adapt and become 100-percent performers.
3. Employee training, employee development, career development and organizational development ensure that employees and organizations are fully productive. See Exhibit 2-3.

D. Motivation Function

1. Goal: To have highly productive, competent, and adapted employees with up-to-date skills, knowledge, and abilities.
2. Motivation is a multifaceted process that involves understanding complex human behavior to influence employees so that they will exert high energy levels.
3. Managing motivation includes job design, access to productivity-enhancing resources, management and worker relationships, setting performance standards, and establishing effective compensation and benefits programs.

E. Maintenance Function

1. Goal: To retain highly productive, competent and adapted employees, with up-to-date skills, knowledge, and abilities, who are willing to maintain their commitment and loyalty to the company?
2. Employees are more likely to be productive, committed and loyal if you provide a safe and healthy work environment and care for their well-being.
3. **Effective communications programs** provide for 2-way communication to ensure that employees are well informed and that their voices are heard.

IV. HOW EXTERNAL INFLUENCES EFFECT HRM

1. HRM activities are affected by what happens outside the organization.
2. Four general areas of external influence:

A. The Dynamic Environment of HRM

1. HR operates within the constantly changing environment of globalization technology, work force diversity, changing skill requirements, continuous improvement, work process engineering, decentralized work sites, teams, employee involvement and ethics.

B. Laws and Regulation

1. Laws and regulations affect HRM practices.
2. Exhibit 2-4 lists these laws which are covered in more detail in a later chapter.

C. Labor Unions

1. Unions are certified third-party representatives that negotiate contracts with management spelling out terms and conditions of employment and how they are to be administered.

D. Management Thought

1. Management principles, such as those from scientific management or based on the Hawthorne studies influence the practice of HRM.
2. More recently, continuous improvement programs, employee participation, teams and work process reengineering has had a significant influence on HRM activities.

V. STRUCTURE OF THE HR DEPARTMENT

A. Employment

1. Employment specialists coordinate the staffing function and help line management by advertising vacancies, doing initial screening, interviewing, making job offers based on management input, and completing paperwork related to hiring.

B. Training and Development

1. Training and development specialists help employees maximize their potential, serve as internal change agents to the organization, and provide counseling and career development.

C. Compensation and Benefits

1. Compensation and benefits staffs establish objective and equitable pay systems and design cost-effective benefits packages that help attract and retain high-quality employees. Benefits administrators also help employees effectively utilize their benefits, such as by providing information on retirement planning.

D. Employee Relations

1. Employee relations activities are concerned with ensuring effective communications among organizational members. ER professionals focus on communications, fair

application of policies and procedures, data documentation and coordination of activities and services that enhance employee commitment and loyalty.

- a. Employee relations should not be confused with labor relations, which refer to HRM in a unionized environment.
- b. What is the purpose of HRM communications? What are its elements?
 - Keep employees informed of what is happening and knowledgeable of policies and procedures.
 - Convey that the organization values employees.
 - Build trust and openness, and reinforce company goals.
 - Elements that are present in successful communications programs include:
 - **Top management commitment** where senior management supports and backs information that flows downward, upward, and laterally.
 - **Effective upward communication** that allows lower-level employees communicate in an upward manner to ensure that top management receives the information it needs.
 - **Determining what to communicate** using the “what-if, so-what” approach to determine the priority of information that should be shared with others.
 - **Allowing for feedback** should include built-in methods to obtain feedback from employees regarding the effectiveness of communications.
 - **Information sources** can come from HRM, as well as from supervisors trained by HRM, handbooks, and manuals.
- c. Review “Purposefully Distorting Information” for a discussion of the ethical issues faced by HRM professionals.

E. Is a Career in HR for Me?

1. The need for HR professionals is slated to grow faster than other career areas through 2017 according to the Bureau of Labor Statistics.
2. Various HR positions include
 - a. Assistant
 - b. Generalist
 - c. Specialist
 - d. Executive
3. Colleges and universities offer HR programs.
4. The Society for Human Resource Management and Human Resource Certification Institute offer professional certification.

II. Does HRM Really Matter?

1. Research has shown that a fully functioning HR department does make a difference, including organization finances and shareholder value.
2. Organizations that spend money to have quality HR programs perform better than those who don't.

3. Practices that are part of superior HR services include rewarding productive work, creating a flexible work-friendly environment, properly recruiting and retaining quality workers, and effective communications. Keep in mind that HRM managers should ensure their specific services link to the organization's strategy.

VI. HR TRENDS AND OPPORTUNITIES

A. Outsourcing

1. There is a trend to outsource some or all HR functions to firms, such as,
 - a. Staffing agencies to perform the recruiting and selection activities.
 - b. Consulting firms to provide training services.
 - c. Financial organizations to handle benefits administration.

B. Professional Employer Organization (PEO)

1. The professional employer organization assumes all HR functions of a client company by hiring all of its employees and leasing them back to the company.

C. Shared Services

1. A closely aligned trend is for the use of shared services, which means that specialized HR services, like compensation and benefits, are handled by staff in a centralized location, while other functions, like training, are handled in the divisional business unit.
2. The format of shared services models varies depending on the needs of the organizations. They may include:
 - a. **Center of Excellence** that handles a wide range of activities.
 - b. **Service Centers** that handle transactional HR duties, such as payroll.
 - c. **Business Partners** who work directly with business unit managers in strategic roles.

VII. HRM IN A SMALL BUSINESS

1. Owner-managers may perform HRM functions, HRM activities may be outsourced, or a single generalist may handle all the HRM functions in an entrepreneurial enterprise.
2. HRM in a small business requires keeping current in the field, especially regarding laws and regulations that may or may not affect the organization.

VIII. HRM IN A GLOBAL ENVIRONMENT

1. HRM functions are more complex when employees are located around the world. Consideration must be given to such things as foreign language training, relocation and orientation processes, diverse cultural values, and so forth.
2. HRM also involves considering the needs of employees' families when they are sent overseas.

IX. HR AND CORPORATE ETHICS

1. HRM's role is to ensure that ethics exist in an organization and are adhered to.
 - a. Employee awareness of ethics policies
 - b. Training employees and leaders
2. The **Sarbanes-Oxley Act** passed in 2002, establishes procedures for public companies regarding how they handle and report their financial status.
 - a. Establishes penalties for noncompliance.
 - b. Provides protection for employees who report executive wrongdoing.
 - c. Requires that companies have mechanisms in place where complaints can be received and investigated.

DEMONSTRATING COMPREHENSION: Questions for Review

1. **How is the role of HR demonstrated in each of the four management functions?**

The four functions of management are planning, organizing, leading and controlling. Planning deals with establishing goals. HR follows Federal legislation which requires that organizations plan to hire the best qualified individuals while also following the law. Organizing deals with accomplishing those goals by structuring the working environment and placing (organizing) employees in the right positions to accomplish these goals. Leading ensures that the right people are on the job with appropriate skills and motivating them to levels of high productivity. HR oversees this by making sure employees are trained, as well as the continuous personal development of each employee. Controlling deals with monitoring activities to ensure that goals are met. HR must ensure that employees maintain their productive affiliation with the organization, by continuously monitoring the organization to make sure that this is being done.

2. **Explain the purpose of HRM in an organization.**

Human resource management is the people component of management. As a staff function, HR helps line managers with staffing (getting people); training and development (preparing people); motivation (stimulating them to put forth their greatest effort); and maintenance (keeping good employees).

3. **What activities are involved in the staffing function of HRM?**

Staffing includes strategic human resource planning to determine what the human resource needs are to fulfill the organization's mission; job analysis, to specify the essential knowledge, skills and abilities needed by employees; recruitment, to attract qualified individuals; and selection, to choose successful employees from an applicant pool.

4. **Explain the goals of the training and development function of HRM.**

Training and Development ensures that employees can continue to meet the demands placed upon them by the organization. Included are orientation and socialization, to help new employees adapt; specific training in job-related skills; employee development, to prepare employees for the future; organization development, to facilitate changes which entire organizations are experiencing, and career development, to help individuals grow and meet their own needs while they are supporting the organization.

5. Describe the primary goals of the motivation function of HRM.

A primary goal of motivation is to provide an environment that influences employees to exert high energy levels for those behaviors which are important to the strategic goals of the organization. Human resource specialists can help motivate employees by providing assistance in the areas of job design, setting performance standards, and establishing effective compensation and benefits programs. Additionally, HR specialists can train managers in motivational techniques and help line managers diagnose motivational problems.

6. In what ways can HRM meet its goal of the maintenance function?

HRM must ensure that the working environment is safe and provide employees services, such as employee assistance programs, to deal with personal situations. They must also ensure open and effective lines of communication.

7. What role does HRM play in the strategic direction of an organization?

HRM has responsibility for the “people” component of an organization. If HRM is successful in this area, the organization may gain a competitive edge through its employees.

8. What does a small business owner need to know about HRM?

HRM managers in a small business must properly perform the four HRM functions and achieve the same goals as a large organization. However, they may be doing the work themselves without the benefit of a specialized staff. Some small business owners hire outside consultants to perform some or all of the HRM functions. HRM in a small business also requires that individuals keep current in the field and the associated legal issues.

9. Which of the HR functions seem to be most important and why?

HRM looks to managers to be an integral part of conveying information to and from employees. Thus HR’s main function is working with top and senior executives in an organization to establish the moral fabric and overall strategic focus of the organization, ensuring that these become part of the standard operating procedures of the organization and is conveyed in every aspect of the organization.

LINKING CONCEPTS TO PRACTICE: Discussion Questions

1. **“Motivation is the primary responsibility of line managers. HRM’s role in motivating organizational employees is limited to providing programs that equip line managers with means of motivating their employees.” Do you agree or disagree with the statement? Explain your position.**

Agree. It is the responsibility of line managers to know what motivates each of their employees. HRM is too far removed to be able to do this.

Disagree. HRM is responsible for job design, properly defining job requirements, matching applicants to those requirements, and training new employees, as well as assisting line managers with motivational techniques.

2. **You have been offered two positions in HRM. One is a generalist position in a smaller business, and one is a recruiting position in a large corporation. Which one of the two jobs do you believe will give you more opportunities to be involved in a variety of HRM activities? Defend your answer.**

Generalist position in a smaller business: Many HRM functions must be performed in all businesses regardless of their size. In a smaller business, HRM personnel must wear many hats and become knowledgeable about all aspects of HRM.

Recruiting position in a large corporation: Taking this position will provide the opportunity for further career development. Large corporations usually offer more training and development programs. Additionally, a large corporation is subject to all the HR laws and may well practice HRM on a global scale.

3. **“Few new employment laws have been past in recent years. We have reached a point where workers have adequate protection of their rights.” Do you agree or disagree with this statement? Explain your position.**

Agree. The EEOC laws are extensive and cover almost all dimensions that would relate to employment issues. Workers’ protections are adequate as evidenced by the limited role of unions or employee representatives.

Disagree. The employment laws will never be extensive enough to cover all issues. As businesses expand globally, diverse issues beyond race, ethnicity, religion will continue to surface and organizations will have to create new laws to protect employees. A quick example is laws that would cover cultural issues and/or what is perceived as ethical issues. In addition, as economic, technological, political or social issues change, employees will need protection from various issues possibly related to their own conduct and/or health. For example, as social media expands, there might be new laws

developed to protect the rights of employees in various capacities in regards to social media.

4. **“Employers only need to provide employees with enough information so they can effectively and efficiently get their jobs done. Beyond that, employees don’t have a need to know.” Do you agree or disagree with the statement? Defend your answer.**

Agree. Information that is speculative or incendiary should be kept from employees. An example might be preliminary discussions that top management is having about the future of the business, or discussions about proposed personnel policy changes that may or may not be implemented.

Disagree. If information affects the lives of the workers, they have a right to be informed. In an open, trusting environment workers will respect privacy issues and understand that some news is for information only purposes.

CASE APPLICATION 2-A: FRITO LAY LINKS STRATEGY WITH JOB DESIGN

CASE SUMMARY

Frito Lay knows you love your favorite snack foods, and the prospect of facing an empty shelf where your Doritos should be is just unthinkable. In fact, the Frito-Lay mission statement is “To be the world’s favorite snack and always within arm’s reach.” In pursuit of their mission to have your beloved chips always at hand, Frito-Lay is constantly looking for ways to make sure their business practices match up with the goal.

1. **How are job design and organizational strategy at Frito-Lay linked? How does one influence the other?**

Frito-Lay organizational strategy of having widespread delivery of their snacks resulted in them organizing the job of increasing sales of their products through RSRs who engaged in sales, driving and delivery and merchandising of the products. The strategy influenced the job design by encouraging the RSRs on low volume routes to secure additional display space and RSRs on high volume routes to set up their displays and delivery earlier in the day.

2. **What external environmental factors may have influenced the low productivity at Frito Lay and how was it fixed?**

External environmental factors that may have influenced the low productivity at Frito Lay may have included a shortage of qualified workers available to Frito-Lay, that were properly trained as sales representatives, as well as having competitors who are better

able to recruit the sales representatives that Frito-Lay is targeting. In addition, potential employees might not want to relocate or trained sales representatives might be retiring (the workforce is young/younger and untrained). In addition, the workforce might be trained in other fields in college (not as sales representatives). Finally, there might be other industries paying higher salaries and thus working as a sales representative might not be financially attractive.

3. If you were a RSR at Frito-Lay, which of the changes would you find most beneficial? Least?

Additional sales training, as well as making hourly workers available to help in the high volume areas with stocking duties would be most beneficial. In addition, the tight driving and delivery schedules would be stressful and would require driving techniques that may reduce lag time but are dangerous – so additional training in driving under stressful conditions would be beneficial. The thing that would be least beneficial is having hourly workers who can only help with stocking, such workers should be trained to be more versatile and help with other duties. Finally, the additional sales training might be so focused, that it might not apply to any other organizations beyond Frito-Lay.

4. Can all productivity problems be cured by better aligning job-design with organizational mission? Why or why not?

Analyzing any job and redesigning it to become more in tune with an organizational mission may not always solve productivity problems, especially in the long term. For the short term, organizations can redesign jobs and hire the appropriate individuals who might be motivate to complete the requirements of those jobs and aid the organizational mission. Long term however, these employees will need an organizational infrastructure and culture that supports the job redesign. In addition, external factors in the environment may cause the redesign to become obsolete or outdated. Finally, a job redesign does not often account for the human relations aspects of an employee. In the case, the redesign might work from a stark structural point of view but long term might be overwhelming for employees to continuously fulfill and they might feel resentful if the organization is making increased profits from the redesign without having them share in the additional profits.

WORKING WITH A TEAM: Making a Layoff Decision

OVERVIEW

Using information about five employees, students, working in small groups, must decide which two employees will be permanently laid off. Each group should then present its recommendations to the entire class. Note that directions are also in the text.

SUGGESTIONS/VARIATIONS

This is an excellent opportunity to demonstrate to the students how HRM decisions often have to take into consideration more than one aspect of HR. You might refer students to exhibit 2-4 and ask them to list the legislation they think needs to be considered in making a decision. To incorporate ethics, consider asking the students if any of them experienced conflict with their personal values during the decision-making process.