## PERSONNEL

Human Resource Management:

A Diagnostic Approach

**Fourth Edition** 

MILKOVICH-GLUECK

Human Resource Management:

## A Diagnostic Approach **Fourth Edition**

George T.

MILKOVICH Cornell University

William F.

GLUECK Lat
The University of Georgia

1985

BUSINESS PUBLICATIONS, INC. Plano, Texas 75075

#### © BUSINESS PUBLICATIONS, INC., 1974, 1978, 1982, and 1985

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

Previous editions published under the title, Personnel: A Diagnostic Approach

ISBN 0-256-03267-X

Library of Congress Catalog Card No. 84-71757

Printed in the United States of America

4 5 6 7 8 9 0 K 2 1 0 9 8 7

To all our students, especially the bright ones

## **PREFACE**

The field of human resources management makes for a challenging and exciting course. Human resource decisions are among the most complex and challenging that managers face. Managers are becoming increasingly aware of the key role employees play in the success of any organization's endeavors. Faced with serious economic pressures to improve productivity, boost quality, and control costs, as well as social pressures from shifting employee expectations and continued government regulations, managers are paying increased attention to their human resource decisions. As a result, traditional, often bureaucratic, approaches to personnel management are being reexamined, and new approaches are being tested. All this dynamism makes this an exciting time to study human resource management.

Three central tasks are undertaken by this book. The first is to examine the current theoretical and research developments related to human resources management. This analysis of pertinent theory and research is supported by an extensive and up-to-date set of references at the end of each chapter.

The second task is to examine the current state of human resource practices. Here we draw upon practices actually used by a wide variety of employers. These practices illustrate new developments as well as established approaches to personnel decisions. They should be readily transferable to various job settings.

Finally, an opportunity for you to develop your own decision making skills is provided through a series of cases drawn from the real world. You will find considerable emphasis on using the concepts and techniques found in the chapters for analysis and evaluation in these cases. Completing them should help you develop skills readily transferable to future jobs.

All three tasks are accomplished through the use of a diagnostic approach to human resource management. The diagnostic approach considers characteristics of the environment, the organization, the work being done, and the individual employees in making personnel decisions. How these decisions affect the well-being and effectiveness of both employees and organizations is the primary consideration. This approach suggests

the futility of pursuing a single correct answer to managing human resources. Rather, multiple answers are more or less viable, depending on a diagnosis of the individuals, jobs, environment, and organizational circumstances, all of which are constantly changing.

#### **ACKNOWLEDGMENTS**

The preparation of this book relied upon the contribution of many people. We owe a special debt to our students. In the classroom they motivate and challenge us, and as returning human resource professionals they try mightily to keep our work relevant.

Several colleagues shared their ideas with us. Detailed comments from Anne S. Tsui (Duke University), Marc Singer (James Madison University), and Steve Motowidlo (Penn State University) were particularly helpful. John Boudreau (Cornell University), James Rush (University of Western Ontario), Gerald Ferris (Texas A&M University), Tom Bergmann (University of Wisconsin–Eau Claire), and Judy Olian (University of Maryland–College Park) reviewed specific sections, and their comments strengthened the book. Others, including Francis Gallagher (Bloomsburg State College), Alan Cabelley (Portland State University), Linda Krefting (Texas Tech University), Joanne Loomba (California State University–Hayward), R. Kelley (Governors State University), James Bitter (University of Northern Colorado), and Solomon Montoya (St. John's University) offered constructive responses to specific issues.

For clerical support so vital to the preparation of this edition, I thank Jo Churey and Lynn Johnson of Cornell University.

The author acknowledges the contributors of Michael, Matthew, and Sarah Milkovich to this edition. And I owe a special debt to Carolyn Milkovich. Her administrative and editing talents continue to be of inestimable value.

George T. Milkovich

## **CONTENTS**

CHAPTER 1 THE DIAGNOSTIC APPROACH 5	
A DIAGNOSTIC APPROACH TO HUMAN RESOURCE MANAGEMENT 8	
Tailoring Decisions to the Circumstances 8	
A Diagnostic Approach 9	
THE DIAGNOSTIC MODEL 11	
External Conditions 11	
Organization Conditions 12	
Human Resource Activities 13	
Objectives 15	
Book Plan 17	
WHO MANAGES HUMAN RESOURCES? 18	
The Role of the Human Resource Manager 21	
The Interaction of Operating and Human Resource Managers	21
SUMMARY 23	
APPENDIX: SPECIALIZATION AND PROFESSIONALIZATION 24	
DISCUSSION AND REVIEW QUESTIONS 26	
NOTES AND REFERENCES 26	
CHAPTER 2 EXTERNAL CONDITIONS 29	
EXTERNAL CONDITIONS AND THE DIAGNOSTIC MODEL 31	
Diagnosing External Conditions 31	
Environmental Scanning 31	
ECONOMIC CONDITIONS 34	
The Population and the Labor Force 34	
Labor Market Conditions 39	
Relevant Market 39	
Product/Service Market Conditions 44	
GOVERNMENT INFLUENCES 47	
The Regulatory Process 48	
Deregulation 49	
UNION EXPECTATIONS AND POWER 50	
SUMMARY 53	
DISCUSSION AND REVIEW QUESTIONS 53	
NOTES AND REFERENCES 54	

PART ONE INTRODUCTION AND EXTERNAL CONDITIONS

3

### PART TWO ORGANIZATION CONDITIONS 61

CHAPTER 3 NATURE OF THE ORGANIZATION 63	
ORGANIZATION INFLUENCES AND THE DIAGNOSTIC APPROACH 65	
Strategies and Operational Objectives 65	
Financial Condition and Flexibility 70	
Technologies Employed 70	
Culture and Philosophy 71	
The State of Knowledge 73	
HUMAN RESOURCE PLANNING: THE LINK 73	
Human Resource Planning—A Distinction 75	
Establishing Human Resources Objectives 75	
Assessing Current Human Resource Conditions 78	
Designing and Evaluating Human Resource Activities 80	
Monitoring and Evaluating Results 81	
Human Resource Planning: Who Is Doing It? 84	
STRATEGY, STRUCTURE, AND STAFF 84	
Centralized—Decentralized 84	
Congruency 87	
Staffing 88	
SUMMARY 88	
DISCUSSION AND REVIEW QUESTIONS 88	
NOTES AND REFERENCES 89	
CHAPTER 4 NATURE OF THE WORK 93 THE NATURE OF WORK AND THE DIAGNOSTIC MODEL 94 DEFINING WORK 95 JOB DESIGN 96 Four Approaches 96 Scientific Management 98 Human Relations 99 Job Characteristics Model 99 Tailoring Jobs to Organization and Environmental Conditions Hours of Work and Work Schedules 101 JOB ANALYSIS 104 Why Analyze Jobs? 104	100
What Data to Collect 106	
Manager/Employee Acceptance 106	
How to Collect Data 107	
Conventional Job Analysis 110	
Job Descriptions 111	
Quantitative Job Analysis 112	
Usefulness of Methods 114	
SUMMARY 117	
SUMMANT II/	

APPENDIX A: PROCEDURES FOR GATHERING JOB INFORMATION 118 B: SAMPLE JOB DESCRIPTION 120 DISCUSSION AND REVIEW QUESTIONS 128 NOTES AND REFERENCES 128
CHAPTER 5 NATURE OF THE EMPLOYEES 134 INDIVIDUAL DIFFERENCES AND THE DIAGNOSTIC MODEL 135 Ability 135 Motivation 136 DETERMINANTS OF INDIVIDUAL PERFORMANCE 136 Ability—Performance Relationships 137 Abilities' Influence on Human Resource Management 137 Motivation—Performance Relationship 138 Human Resource Management and Individual Behavior 144 CAREERS 145 Career Orientation 146 Career Stages 147 THE SUPERVISOR 150 LEADERSHIP STYLES 150 THE WORK GROUP 151 Organization Advantages 152 Designing Work Groups 152 Human Resource Management and Work Groups 153 SUMMARY 154
DISCUSSION AND REVIEW QUESTIONS 154 NOTES AND REFERENCES 155
PART THREE HUMAN RESOURCE ACTIVITIES: STAFFING 161
CHAPTER 6 EMPLOYMENT PLANNING 163 A DIAGNOSTIC APPROACH TO EMPLOYMENT PLANNING 164 EMPLOYMENT PLANNING 167 Reasons for Employment Planning 167 Three Phases of Analysis 168 FORECASTING DEMAND FOR EMPLOYEES 168 Estimated Organization, Performance Goals 170 Productivity 170 An Illustration 171 Tailoring Tools to the Situation 174
Prediction Accuracy versus Objectives Achieved 176 Keep Employment Forecasts in Perspective 177 FORECASTING HUMAN RESOURCE SUPPLY 178 Turnover Rates as An Objective 178 Human Resource Supply Estimates 178

**Skills Inventories** 179 181 **Replacement And Succession Charts** 182 **Transitional Matrixes** 191 DESIGNING PROGRAMS SUMMARY 194 **DISCUSSION AND REVIEW QUESTIONS** 195 **NOTES AND REFERENCES** CHAPTER 7 EQUAL EMPLOYMENT OPPORTUNITY 202 THE NEED FOR EQUAL EMPLOYMENT OPPORTUNITY (EEO) 203 204 **Occupational Attainment** Earnings Gap 204 A DIAGNOSTIC APPROACH TO EEO 206 207 THE LAWS: WHAT IS DISCRIMINATION? 209 Title VII of the Civil Rights Act of 1964 The Equal Pay Act of 1963 216 **Executive Order 11246** 217 **Age Discrimination in Employment Act Vocational Rehabilitation Act** 218 Sexual Harassment **EVALUATING EEO PERFORMANCE** 220 **EEO** Analysis 220 226 An Illustration **SETTLING DISPUTES** 228 EEOC 228 OFCCP 230 231 **Employers** 232 Supervisors 234 Unions 236 **Employees SHIFTING PHILOSOPHIES** 236 237 SUMMARY **APPENDIX: TECHNICAL NOTES** 238 **DISCUSSION AND REVIEW QUESTIONS** 240 **NOTES AND REFERENCES** 241 CHAPTER 8 RECRUITING AND JOB SEARCH 247 A DIAGNOSTIC APPROACH TO RECRUITMENT 249 250 **External Influence** 252 **Organization Influences Individual Candidate's Preferences** 253 **Employer—Applicant Matching** 254 SOURCES 255 **INTERNAL RECRUITING METHODS** 256 **COLLEGE RECRUITING** 260 THE RECRUITER

LOCATING OTHER EXTERNAL CANDIDATES 260
EVALUATING RECRUITING PROGRAMS 264
Recruiting Costs and Benefits 265
REALISM OR FLYPAPER? 267
Realistic Job Previews 267
THE POTENTIAL EMPLOYEE'S VIEW OF RECRUITING: JOB SEARCH 268
EVALUATING JOB OFFERS 270
Occupational Choice 270
Organizational Choice 271
SUMMARY 273
APPENDIX: HOW TO GET A JOB 273
DISCUSSION AND REVIEW QUESTIONS 280
NOTES AND REFERENCES 280
NUTES AND REPERENCES 200
AUADED A ATLEATION AND
CHAPTER 9 SELECTION 285
A DIAGNOSTIC APPROACH TO SELECTION 286
VALIDATION 289
Validation Approaches 289
USEFULNESS OF A SELECTION PROCEDURE 292
Validity Generalization 298
SELECTION PROCESS 298
SELECTION PROCEDURES 300
Application Blanks/Biographical Data 300
Employment Interview 301
Employment Tests 307
Formal Education 313
Experience 313
Reference Checks and Recommendation Letters 314
SUMMARY 315
DISCUSSION AND REVIEW QUESTIONS 315
NOTES AND REFERENCES 316
NOTES AND REFERENCES 310
PART FOUR HUMAN RESOURCE ACTIVITIES: DEVELOPMENT 323
• • • • • • • • • • • • • • • • • • •
CHAPTER 10 ORIENTATION, TRAINING, AND DEVELOPMENT 325
A DIAGNOSTIC APPROACH TO TRAINING 326
External Influences 327
Internal Influences 329
Maior Decisions 331
Major Decisions 331
DETERMINE TRAINING NEEDS AND OBJECTIVES 331
DETERMINE TRAINING NEEDS AND OBJECTIVES 331 Organizational Analysis 332
DETERMINE TRAINING NEEDS AND OBJECTIVES 331 Organizational Analysis 332 Job Analysis 333
DETERMINE TRAINING NEEDS AND OBJECTIVES 331 Organizational Analysis 332

TRANSLATE NEEDS INTO PROGRAMS	338
Learning Principles 338	
Individual Differences 339	
On-The-Job Training 341	
Off-The-Job Training 344	
Techniques 345	
Orientation/Socialization 347	
EVALUATING RESULTS 349	
Criteria for Evaluation 349	
Four Evaluation Questions 350	
Costs and Benefits 351	
Cost, Benefits, and Productivity	351
SUMMARY 351	
DISCUSSION AND REVIEW QUESTIONS	356
NOTES AND REFERENCES 357	
CHAPTER 11 PERFORMANCE EVALUAT	TION 361
A DIAGNOSTIC APPROACH TO PERFORM	
SHOULD WE EVALUATE? 365	
<b>Uses of Evaluation Information</b>	365
Pitfalls 366	
Employee Reactions to Performan	ice Evaluation 368
WHAT DO WE WANT TO EVALUATE?	369
<b>Tailor Criteria to Organizational O</b>	bjectives 369
Tailor Criteria to the Job 370	
<b>Tailor Criteria to Employee Needs</b>	370
Multiple Criteria 371	
<b>EVALUATION TECHNIQUES</b> 372	
Rating 372	
Ranking 376	
Critical Incidents 378	
Unspecified Criteria 380	
Accuracy of Techniques 381	
<b>EVALUATING THE TECHNIQUES</b> 382	
Does the Technique Serve the Pu	
Is the Technique Practical? 383	}
Is the Technique Valid? 383	
Using Multiple Techniques 385	
EEO AND PERFORMANCE EVALUATION	389
COMMUNICATING EVALUATION RESULT	s 390
SUMMARY 392	
APPENDIX: JOHNS-MANVILLE BOOKLET	ON WORK PLANNING,
APPRAISAL, AND REVIEW 393	
DISCUSSION AND REVIEW QUESTIONS	404
NATES AND DEFEDENACE 404	

PART FIVE	HUMAN	RESOURCE	<b>ACTIVITIES:</b>	<b>EMPLOYN</b>	IENT
RELATIONS	411				

CHAPTER 12 EMPLOYEE RELATIONS 413 A DIAGNOSTIC APPROACH TO EMPLOYEE RELATIONS 416 External Factors 416
Internal Factors 417
WORKER PARTICIPATION IN ORGANIZATIONAL DECISIONS 417 Quality of Work Life 418 Career Development 424
Employee Assistance Programs 430
EMPLOYMENT SECURITY AND GUARANTEED EMPLOYMENT 433
EMPLOYEE RIGHTS 435 Worker Protection 436
Conflict Resolution 439
Employment-at-Will 443
SUMMARY 446
DISCUSSION AND REVIEW QUESTIONS 446 NOTES AND REFERENCES 447
NOTES AND REPERENCES 447
CHAPTER 13 LABOR RELATIONS 454
A DIAGNOSTIC APPROACH TO LABOR RELATIONS 455
External Conditions 456
Organizational Conditions 458 UNIONISM IN THE UNITED STATES: A HISTORICAL PERSPECTIVE 462
UNIONISM IN THE UNITED STATES: A HISTORICAL PERSPECTIVE 462 WHY EMPLOYEES JOIN UNIONS 465
THE ORGANIZING CAMPAIGN 467
NEGOTIATING A CONTRACT 468
Preparation for Contract Negotiations 469
Negotiation Issues 470
Formalizing the Contract 471
Union Structure 472
IMPASSES IN COLLECTIVE BARGAINING 472
Conciliation and Mediation 473
Strikes and Lockouts 473
Arbitration 475
Grievance Process 477
THE PUBLIC SECTOR 478 LABOR UNION EFFECTS 479
Union Impact on Wages 479
Union Impact on Productivity 483
Union Impact on Employee "Voice" 485
Unions and EEO 486
SUMMARY 487
DISCUSSION AND REVIEW QUESTIONS 487
NOTES AND REFERENCES 487

PART SIX: HUMAN RESOURCE ACTIVITIES: COMPENSATION	497
CHAPTER 14 PAY LEVEL AND STRUCTURE 499	
A DIAGNOSTIC APPROACH TO PAY ADMINISTRATION 500	
Forms of Pay 501	
External Influences on Pay 501	
Organization Influences on Pay 505	

A PAY MODEL 508

**Compensation Objectives** 

510 **Equity: The Conceptual Foundation** 

511 Balancing Internal, External, and Employee Equity

**PAY DECISIONS AND PAY TECHNIQUES** 511

**External Equity: Pay Level** 516 **Internal Equity: Pay Structure** 

528 An Illustration

SUMMARY 530

532 APPENDIX: THE HAY GUIDE CHART **DISCUSSION AND REVIEW QUESTIONS** 536

**NOTES AND REFERENCES** 536

CHAPTER 15 INDIVIDUAL PAY AND ADMINISTRATION 539 INDIVIDUAL PAY POLICIES 541 **INDIVIDUAL PAY TECHNIQUES** 542 543 **Pay Ranges** 545 **Pay Increase Guidelines Lump Sum Payments** 547 **External, Internal, and Employee Equity** 547 549 PAY-FOR-PERFORMANCE 549 Is Money Important? 550 **Should Pay Increases Be Based on Performance?** 551 Is Pay Based on Performance? **Negative Evidence** 551 PAY AND SATISFACTION 552 **INCENTIVES** 554

554 **Individual Incentives** 555 **Group Incentives** 556 Gainsharing

558 **Profit Sharing** 

**PAY ADMINISTRATION** 559

**Cost Controls** 559 560 Communication 562 **Participation** 562 **Special Groups** 

563 **EXECUTIVE PAY** 563 **Compensation Decisions** The Critics 568 COMPARABLE WORTH 569 569 Earnings Gap 570 **A Definition** SUMMARY 571 571 APPENDIX: A WORKING WOMAN'S GUIDE TO PAY EQUITY **DISCUSSION AND REVIEW QUESTIONS** 576 **NOTES AND REFERENCES CHAPTER 16 BENEFITS** 581 A DIAGNOSTIC APPROACH TO BENEFITS 583 583 **External Influences** 585 Internal Influences MANAGING BENEFITS 586 587 **Benefit Objectives** 588 **COMMON BENEFIT AND SERVICE PLANS** 588 **Compensation for Time Not Worked Employer-Purchased Insurance** 589 **Employee Services** 590 592 **Retirement Income** MANDATED BENEFIT PROGRAMS 596 596 **Unemployment Compensation** 597 **Workers' Compensation COSTS OF BENEFITS** 597 **COST CONTAINMENT** 598 BENEFITS COMMUNICATION 603 **EQUAL EMPLOYMENT OPPORTUNITY AND BENEFITS** 605 SUMMARY 608 **DISCUSSION AND REVIEW QUESTIONS** 608 **NOTES AND REFERENCES** 609 PART SEVEN HUMAN RESOURCE ACTIVITIES: EVALUATION 613 **CHAPTER 17 EVALUATION** 615 A DIAGNOSTIC APPROACH TO EVALUATION 617 Personnel Management as a Collection of Activities: Maintenance and Control 618 Personnel Management as an Integrated System: Achieve 618 Effectiveness **APPROACHES TO EVALUATION** 618 619 **Process-Oriented Audits** 623 **Reputational Approach** 625 **Quantitative Approaches** 

		OURCE INFORMATION SYSTEMS 634 ocess 636
_		on Requirements 637
		nponents of HRIS 638
		Mistakes 640
SUMMAI		644
		SYSTEM DESCRIPTION 646
		AND REVIEW QUESTIONS 647
NOTES A	AND	REFERENCES 647
CASES	HUN	IAN RESOURCE MANAGEMENT AT ITHACA'S OWN 651
Case	1	Strategies, Structure, and Staff 652
Case	2	Equal Employment Opportunity at I-O 659
Case	3	Employment Planning and Recruiting 694
Case	4	Developing New Managers 696
Case	5	Employee Relations: The Jack Freelance Affair 69
Case	6	Salary Budgets and Pay Increases 705
ADDITIO	NAL	CASES 707
Case	1	CIGNA 707
Case	2	Consolidated Defense Manufacturing 711
Case	3	Strategic Human Resource Planning 712
Case	4	Tyler Manufacturing Company 714
Case	5	Egloff Plastics 716
Case	6	Flint Memorial Hospital 717
Case	7	Stoess Yarn, Inc. 721
Case	8	Water Pollution Agency 722
Case	9	Gigantic Aircraft Company 725
Case	10	Eastern School District 726
Case	11	Performance Evaluation 728
Case	12	Block Drug Company 729
Case	13	Leesburg Police Department 730
Case	14	Television Sales 733
Case	15	Pennsylvania Oil Company 733
Case	16	State Government 734
Case	17	Affirmative Action? 737

# PERSONNEL Human Resource Management: A Diagnostic Approach