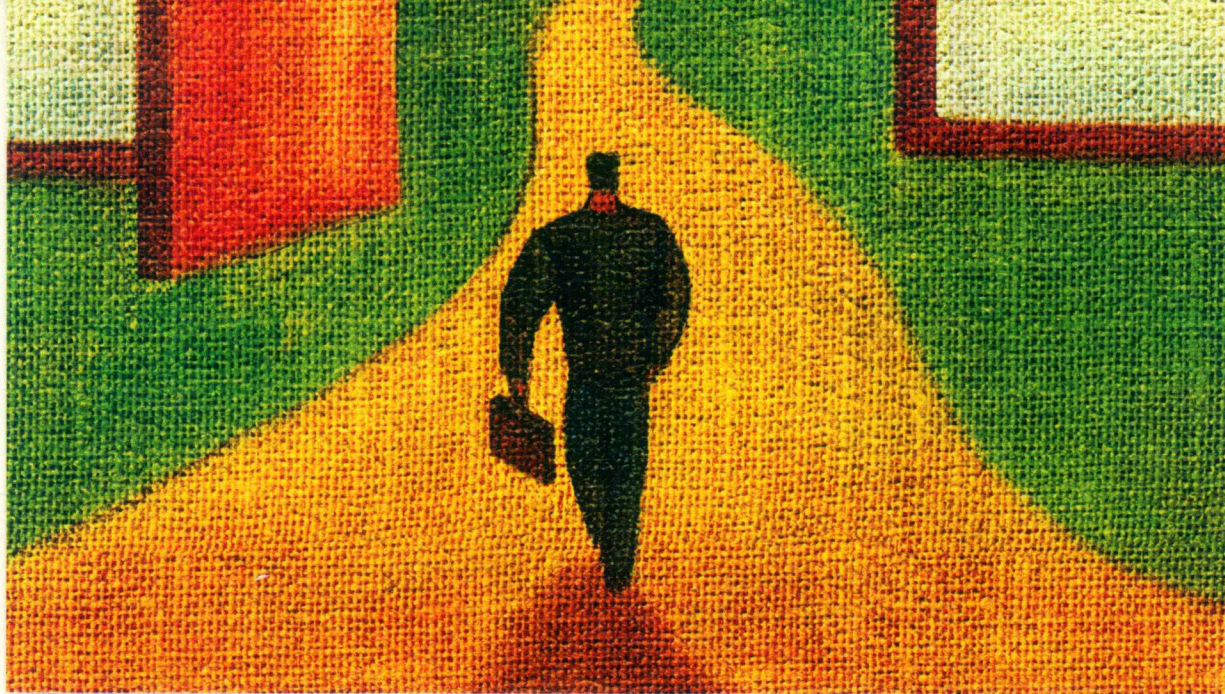


Noe Hollenbeck Gerhart Wright



fundamentals of
Human Resource Management
third edition



fundamentals of **Human Resource Management**

Third Edition

Raymond A. Noe

The Ohio State University

John R. Hollenbeck

Michigan State University

Barry Gerhart

University of Wisconsin–Madison

Patrick M. Wright

Cornell University



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In tribute to the lives of Raymond and Mildred Noe
—R.A.N.

To my parents, Harold and Elizabeth, my wife, Patty, and
my children, Jennifer, Marie, Timothy, and Jeffrey
—J.R.H.

To my parents, Robert and Shirley, my wife, Heather,
and my children, Chris and Annie
—B.G.

To my parents, Patricia and Paul, my wife, Mary, and my
sons, Michael and Matthew
—P.M.W.

About the Authors

Raymond A. Noe is the Robert and Anne Hoyt Professor of Management at The Ohio State University. He was previously a professor in the Department of Management at Michigan State University and the Industrial Relations Center of the Carlson School of Management, University of Minnesota. He received his BS in psychology from The Ohio State University and his MA and PhD in psychology from Michigan State University. Professor Noe conducts research and teaches undergraduate as well as MBA and PhD students in human resource management, managerial skills, quantitative methods, human resource information systems, training, employee development, and organizational behavior. He has published articles in the *Academy of Management Journal*, *Academy of Management Review*, *Journal of Applied Psychology*, *Journal of Vocational Behavior*, and *Personnel Psychology*. Professor Noe is currently on the editorial boards of several journals including *Personnel Psychology*, *Journal of Applied Psychology*, and *Journal of Organizational Behavior*. Professor Noe has received awards for his teaching and research excellence, including the Herbert G. Heneman Distinguished Teaching Award in 1991 and the Ernest J. McCormick Award for Distinguished Early Career Contribution from the Society for Industrial and Organizational Psychology in 1993. He is also a fellow of the Society for Industrial and Organizational Psychology.

John R. Hollenbeck received his PhD in Management from New York University in 1984, and is currently the Eli Broad Professor of Management at the Eli Broad Graduate School of Business Administration at Michigan State University. Dr. Hollenbeck was the first recipient of the Ernest J. McCormick Award for Early Contributions to the field of Industrial and Organizational Psychology in 1992, and is currently a Fellow of the Academy of Management, the American Psychological Association, and the Society of Industrial and Organizational Psychology. He has published over 70 articles and book chapters on the topics of work motivation and group behavior with more than 40 of these appearing in the most highly cited refereed outlets. According to the Institute for Scientific Research, this body of work has been cited over 1,300 times by other researchers. Dr. Hollenbeck was the acting editor at *Organizational Behavior and Human Decision Processes* in 1995, the associate editor at *Decision Sciences* between 1998 and 2004, and the editor of *Personnel Psychology* from 1996 to 2002. He currently serves on the editorial board of the *Academy of Management Journal*, the *Journal of Applied Psychology*, *Personnel Psychology*, and *Organizational Behavior and Human Decision Processes*. Dr. Hollenbeck's teaching has been recognized with several awards, including the Michigan State University Teacher-Scholar Award in 1987 and the Michigan State University Distinguished Faculty Award in 2006. Within the Broad School of Business, he was awarded the Dorothy Withrow Teaching Award in 2002, the Lewis Quality of Excellence Award in both 2001 and 2004, and Most Outstanding MBA Faculty Award in 2007.

Barry Gerhart is the Bruce R. Ellig Distinguished Chair in Pay and Organizational Effectiveness and Director of the Strategic Human Resources Program at the University of Wisconsin–Madison. He was previously the Frances Hampton Currey Chair in Organizational Studies at the Owen School of Management at Vanderbilt University and Associate Professor and Chairman of the Department of Human Resource Studies, School of Industrial and Labor Relations at Cornell University. He received his BS in psychology from Bowling Green State University in 1979 and his PhD in industrial relations from the University of Wisconsin–Madison in 1985. His research is in the areas of compensation/rewards, staffing, and employee attitudes. Professor Gerhart has worked with a variety of organizations, including TRW, Corning, and Bausch & Lomb. His work has appeared in the *Academy of Management Journal*, *Industrial Relations*, *Industrial and Labor Relations Review*, *Journal of Applied Psychology*, *Personnel Psychology*, and *Handbook of Industrial and Organizational Psychology*, and he has served on the editorial boards of the *Academy of Management Journal*, *Industrial and Labor Relations Review*, and the *Journal of Applied Psychology*. He was a corecipient of the 1991 Scholarly Achievement Award, Human Resources Division, Academy of Management.

Patrick M. Wright is Professor of Human Resource Studies and Director of the Center for Advanced Human Resource Studies in the School of Industrial and Labor Relations at Cornell University. He was formerly Associate Professor of Management and Coordinator of the Master of Science in Human Resource Management program in the College of Business Administration and Graduate School of Business at Texas A&M University. He holds a BA in psychology from Wheaton College and an MBA and a PhD in organizational behavior/human resource management from Michigan State University. He teaches, conducts research, and consults in the areas of personnel selection, employee motivation, and strategic human resource management. His research articles have appeared in journals such as the *Academy of Management Journal*, *Journal of Applied Psychology*, *Organizational Behavior and Human Decision Process*, *Journal of Management*, and *Human Resource Management Review*. He has served on the editorial boards of *Journal of Applied Psychology* and *Journal of Management* and also serves as an ad hoc reviewer for *Organizational Behavior and Human Decision Processes*, *Academy of Management Journal*, and *Academy of Management Review*. In addition, he has consulted for a number of organizations, including Whirlpool Corporation, Amoco Oil Company, and the North Carolina State government.

He has co-authored two textbooks, has co-edited a number of special issues of journals dealing with the future of Strategic HRM as well as Corporate Social Responsibility. He has taught in Executive Development programs and has conducted programs and/or consulted for a number of large public and private sector organizations. Dr. Wright served as the Chair of the HR Division of the Academy of Management and on the Board of Directors for SHRM Foundation, World at Work, and Human Resource Planning Society.

Preface

The management of human resources is critical for companies to provide “value” to customers, shareholders, employees, and the community where they are located. Value includes not only profits but also employee growth and satisfaction, creation of new jobs, protection of the environment, and contributions to community programs. All aspects of human resource management including acquiring, preparing, developing, and compensating employees can help companies meet their competitive challenges and create value. Also, effective human resource management requires an awareness of broader contextual issues affecting business such as changes in the labor force, legal issues, and globalization. Both the popular press and academic research show that effective human resource management practices do result in greater value for shareholders and employees. For example the human resource management practices at companies such as Google, Wegman Food Markets, Starbucks, and JM Smucker help them earn recognition on *Fortune* magazine’s list of “The 100 Best Companies to Work For.” This publicity creates a positive vibe for these companies, helping them attract talented new employees, motivate and retain current employees, and make their services and products more desirable to consumers.

Engaging, Focused, and Applied: Our Approach in *Fundamentals of Human Resource Management*

Following graduation most students will find themselves working in businesses or not-for-profit organizations. Regardless of their position or career aspirations, their role in either directly managing other employees or understanding human resource management practices is critical for ensuring both company and personal success. As a result, *Fundamentals of Human Resource Management* focuses on human resource issues and how HR is used at work. *Fundamentals of Human Resource Management* is applicable to both HR majors and students from other majors or colleges who are taking a human resource course as an elective or a requirement. Our approach to teaching human resource management involves *engaging* the student in learning through the use of examples and best practices, *focusing* them on the important HR issues and concepts, and providing them the opportunity to *apply* what they have learned through end-of-chapter cases and in-chapter features. Students not only learn about best practices but they are actively engaged through the use of cases and decision making. As a result, students will be able to take what they have learned in the course and apply it to solving human resource management problems they will encounter on their jobs.

For example, as described in detail in the guided tour of the book, each chapter includes “Thinking Ethically” which confronts students with ethical issues that occur in managing human resources, “HR Oops!” (a new feature in the third edition of *Fundamentals* that highlights human resource management issues that were handled poorly),

and several different cases (*BusinessWeek* cases and additional end-of-chapter cases). All of these features encourage students to critically evaluate human resource–related situations and problems that have occurred in companies and apply the chapter concepts.

“Did You Know” boxes are included in each chapter. The information provided in these boxes shows how the issues discussed in the chapter play out in companies. Some examples include how much time employees waste at work, the kinds of Internet searches that companies conduct to find out about prospective employees, and the top 10 causes of workplace injuries.

Adopters of *Fundamentals* have access to Manager’s Hot Seat exercises which include video segments showing scenarios that are critical for HR success including ethics, diversity, working in teams, and the virtual workplace. Students assume the role of manager as they watch the video and answer questions that appear during the segment—forcing them to make on-the-spot decisions. *Fundamentals of Human Resource Management* also provides students with “how to” perform HR activities such as interviewing that they are likely to have to perform in their jobs. Finally, *Fundamentals of Human Resource Management* shows how the Internet can be useful for managing human resources.

The author team believes that the focused, engaging, and applied approach distinguishes this book from others that have similar coverage of HR topics. The book has timely coverage of important HR issues, is easy to read, has many features that grab the students’ attention, and gets the students actively involved in learning. We would like to thank those of you who have adopted previous editions of *Fundamentals*, and we hope that you will continue to use upcoming editions! For those of you considering *Fundamentals* for adoption, we believe that our approach makes *Fundamentals* your text of choice for human resource management.

Organization

Fundamentals of Human Resource Management includes an introductory chapter (Chapter 1) and five parts.

Chapter 1 discusses why human resource management is an essential element for an organization’s success. The chapter introduces human resource management practices and human resource professionals and managers’ roles and responsibilities in managing human resources. Also, ethics in human resource management is emphasized.

Part 1 discusses the environmental forces that companies face in trying to effectively utilize their human resources. These forces include economic, technological, and social trends, employment laws, and work design. Employers typically have more control over work design than development of equal employment law or economic, technological, or social trends, but all affect how employers attract, retain, and motivate human resources. Some of the major trends discussed in Chapter 2 include greater availability of new and inexpensive technology for human resource management, the growth of the use of human resources on a global scale, changes in the labor force and the types of skills needed in today’s jobs, and a focus on aligning human resource management with the company’s strategy. Chapter 3, “Providing Equal Employment Opportunity and a Safe Workplace,” presents an overview of the major laws affecting employers in these areas and ways that organizations can develop human resource practices that are in compliance with the laws. Chapter 4, “Analyzing Work and Designing Jobs,” shows how jobs and work systems determine the knowledge, skills, and abilities that employees need to provide services or produce

products and influence employees' motivation, satisfaction, and safety at work. The process of analyzing and designing jobs is discussed.

Part 2 deals with identifying the types of employees needed, recruiting and choosing them, and training them to perform their jobs. Chapter 5, "Planning for and Recruiting Human Resources," discusses how to develop a human resource plan. The strengths and weaknesses of different employment options for dealing with shortages or excesses of human resources including outsourcing, use of contract workers, and downsizing are emphasized. Strategies for recruiting talented employees including use of electronic recruiting sources such as job boards and blogs are emphasized. Chapter 6, "Selecting Employees and Placing Them in Jobs," emphasizes that selection is a process starting with screening applications and résumés and concluding with a job offer. The chapter takes a look at the most widely used methods for minimizing errors in choosing employees including applications and résumés, employment tests, and interviews. Selection method standards such as reliability and validity are discussed in understandable terms. Chapter 7, "Training Employees," covers the features of effective training systems. Effective training includes not only creating a good learning environment, but managers who encourage employees to use training content in their jobs and employees who are motivated to learn. The advantages and disadvantages of different training methods, including e-learning, are discussed.

Part 3 discusses how to assess employee performance and capitalize on their talents through retention and development. In "Managing Employees' Performance" (Chapter 8), we examine the strengths and weaknesses of different performance management systems including controversial forced distribution or ranking systems. "Developing Employees for Future Success" (Chapter 9) shows the student how assessment, job experiences, formal courses, and mentoring relationships can be used to develop employees for future success. Chapter 10, "Separating and Retaining Employees," discusses how to maximize employee satisfaction and productivity and retain valuable employees as well as how to fairly and humanely separate employees if the need arises because of poor performance or economic conditions.

Part 4 covers rewarding and compensating human resources, including how to design pay structures, recognize good performers, and provide benefits. In Chapter 11, "Establishing a Pay Structure," we discuss how managers weigh the importance and costs of pay to develop a compensation structure and levels of pay for each job given the worth of the jobs, legal requirements, and employee's judgments about the fairness of pay levels. The advantages and disadvantages of different types of incentive pay including merit pay, gainsharing, and stock ownership are discussed in Chapter 12, "Recognizing Employee Contributions with Pay." Chapter 13, "Providing Employee Benefits," highlights the contents of employee benefit packages, the ways that organizations administer benefits, and what companies can do to help employees understand the value of benefits and control benefits costs.

Part 5 covers other HR goals including collective bargaining and labor relations, managing human resource globally, and creating and maintaining high-performance organizations. "Collective Bargaining and Labor Relations" (Chapter 14) explores human resource activities where employees belong to unions or are seeking to join unions. Traditional issues in labor-management relations such as union structure and membership, the labor organizing process, and contract negotiations are discussed, as well as new ways unions and management are working together in less adversarial and more cooperative relationships. In "Managing Human Resources Globally" (Chapter 15), HR planning, selection, training, and compensating in

international settings are discussed. We show how global differences among countries affect decisions about human resources. The role of human resources in creating an organization that achieves a high level of performance for employees, customers, community, shareholders, and managers is the focus of Chapter 16, "Creating and Maintaining High-Performance Organizations." The chapter describes high-performance work systems and the conditions that contribute to high performance and introduces students to the ways to measure the effectiveness of human resource management.

Acknowledgments

The third edition of *Fundamentals of Human Resource Management* would not have been possible without the staff of McGraw-Hill/Irwin and Elm Street Publishing Services. John Weimeister, our editor, helped us in developing the vision for the book and gave us the resources we needed to develop a top-of-the-line HRM teaching package. Donielle Xu's valuable insights and organizational skills kept the author team on deadline and made the book more visually appealing than the authors could have ever done on their own. Karen Hill of Elm Street worked diligently to make sure that the book was interesting, practical, and readable, and remained true to findings of human resource management research. We also thank Natalie Zook for her marketing efforts for this new book.

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Melissa Woodard Barringer
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Wendy Becker
University of Albany

Jerry Bennett
Western Kentucky University

Tom Bilyeu
Southwestern Illinois College

Genie Black
Arkansas Tech University

Larry Borgen
Normandale Community College

Kay Braguglia
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Jon Bryan
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Susan Burroughs
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Virginia Tech

Xiao-Ping Chen
University of Washington

Sharon Clark
Lebanon Valley College

Gary Corona
Florida Community College

Craig Cowles
Bridgewater State College

Suzanne Crampton
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Westfield State College

Angela Farrar
University of Nevada at Las Vegas

Ronald Faust
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David Foote
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Lucy Ford
Rutgers University

Wanda Foster
Calumet College of St. Joseph

Marty Franklin
Wilkes Community College

Rusty Freed
Tarleton State University

Walter Freytag
University of Washington

Donald Gardner
University of Colorado—Colorado Springs

Michael Gavlik
Vanderbilt University

Treena Gillespie
California State University—Fullerton

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Ivy Tech State College

Samuel Hazen
Tarleton State University

James Hess
Ivy Tech State College

Kim Hester
Arkansas State University

Chad Higgins
University of Washington

Nancy Higgins
Montgomery College

Charles Hill
UC Berkeley

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Kent State University

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Adelphi University

Linda Isenhour
University of Central Florida

Henry Jackson
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Kathleen Jones
University of North Dakota

Jordan Kaplan
Long Island University

Jim Kennedy
Angelina College

Shawn Komorn
University of Texas Health Sciences Center

Lee W. Lee
Central Connecticut State University

Leo Lennon
Webster University

Dan Lybrook
Purdue University

Patricia Martinez
University of Texas at San Antonio

Jalane Meloun
Kent State University

Angela Miles
Old Dominion University

James Morgan
California State University—Chico

Vicki Mullenex
Davis & Elkins College

Cliff Olson
Southern Adventist University

Laura Paglis
University of Evansville

Teresa Palmer
Illinois State University

Jack Partlow
Northern Virginia Community College

Dana Partridge
University of Southern Indiana

Brooke Quizz
Peirce College

Barbara Rau
University of Wisconsin—Oshkosh

Mike Roberson
Eastern Kentucky University

Foreman Rogers, Jr.
Northwood University

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Hudson Valley Community College

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University of Arkansas

Fraya Wagner-Marsh
Eastern Michigan University

Richard Wagner
University of Wisconsin—Whitewater

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SUNY Brockport

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Gary Waters
Hawaii Pacific University

Bill Waxman
Edison Community College

Steven Wolff
Marist College

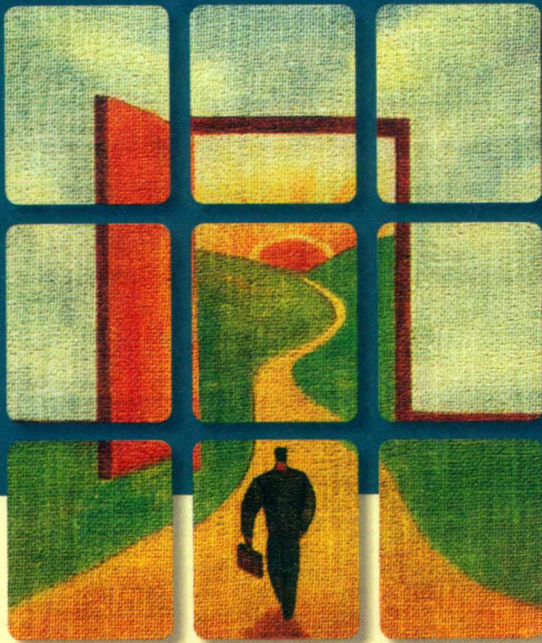
John Zietlow
Lee University

John Zummo
York College

Raymond A. Noe
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Barry Gerhart
Patrick M. Wright

fundamentals of **human**
resource
management

Noe Hollenbeck Gerhart Wright



fundamentals of
Human Resource Management
third edition

engaging.
focused.
applied.

The third edition of *Fundamentals of Human Resource Management* continues to offer students a brief introduction to HRM that is rich with examples and engaging in its application.

Please take a moment to page through some of the highlights of this new edition.

FEATURES

Students and classes that want to learn more about how human resource management is used in the everyday work environment will find that this third edition is engaging, focused, and applied, giving them the HRM knowledge they need to succeed.

WHAT DO I NEED TO KNOW?

Assurance of learning:

- Learning objectives open each chapter.
- Learning objectives are referenced in the page margins where the relevant discussion begins.
- The chapter summary is written around the same learning objectives.
- The student quiz on the textbook OLC and instructor testing questions are tagged to the appropriate objective they cover.



Training Employees

What Do I Need to Know?

After reading this chapter, you should be able to:

- L01** Discuss how to link training programs to organizational needs.
- L02** Explain how to assess the need for training.
- L03** Explain how to assess employees' readiness for training.
- L04** Describe how to plan an effective training program.
- L05** Compare widely used training methods.
- L06** Summarize how to implement a successful training program.
- L07** Evaluate the success of a training program.
- L08** Describe training methods for employee orientation and diversity management.

Introduction

With 78,000 employees working in 294 offices in 48 countries, computer-chip maker Intel has to foster collaboration across many cultures and languages. Although English is widely used as a common language for international businesses, misunderstandings can arise, especially among people who usually speak a different language. Intel's solution is to offer a voluntary training program. Employees can take classes in Mandarin, Japanese, and Spanish at various offices throughout the United States. The classes help employees work with colleagues or clients from other countries. As the demand for language training increased, the company began planning similar programs for employees outside the United States. Intel also offers one-day classes that deliver basic information about other cultures' history and business practices so that employees can learn how to work effectively with people from those cultures. Company spokeswoman Tracy Koon explains, "You're not going to be an effective team if you are constantly offending the other members without knowing it." At Intel, the solution is training!

Training consists of an organization's planned efforts to help employees acquire job-related knowledge, skills, abilities, and behaviors, with the goal of applying these on the job. A training program may range from formal classes to one-on-one mentoring, and it may take place on the job or at remote locations. No matter what its form, training can benefit the organization when it is linked to organizational needs and when it motivates employees.

This chapter describes how to plan and carry out an effective training program. We begin by discussing how to develop effective training in the context of the organization's strategy. Next, we discuss how organizations assess employees' training needs. We then review training methods and the process of evaluating a training program. The chapter concludes by discussing some special applications of training: orientation of new employees and the management of diversity.

chapter seven

HR Oops!

Training without Results

If diversity training works, companies using it should have more managers from groups that experience discrimination. But in a study by three sociologists, most companies that introduced diversity training saw no significant change in the number of women and minority managers.

At the companies studied, talking about differences did not make people value diversity, at least not enough to promote women and minorities. However, assigning mentors to female and minority employees helped. Making managers responsible for achieving diversity targets made a bigger difference. And doing all three had the most impact.

An example shows the problem with focusing on training alone. A law firm trying to attract and retain more female attorneys provided training to foster respect for female colleagues. The trainers did this assignment, but no one was assigned to look for the real problem: the firm routinely assigned big clients to its male attorneys. For a successful career, the female attorneys needed polite colleagues less than they did experience with key clients.

Source: Anne Corcoran Sells, "Diversity Training Doesn't Work," *Stanford Social Innovation Review*, Winter 2007, www.stsinnovations.com. See also, "The Diversity Solution," *Time*, May 1, 2007, downloaded from General Reference Center Ltd., <http://find.galegroup.com> and A. Bates, J. Dobbin, and E. Kelly, "Does Practices or Just Speech? Assessing the Effects of Corporate Affirmative Action and Diversity Policies," *American Sociological Review* 71 (2006), pp. 380-417.

Questions

1. In the example of the law firm, what steps in the training process did the firm skip before it set up training?
2. What business goals can a diversity training program reasonably be expected to achieve? How can it be made more goal-oriented?

NEW!

HR Oops!

Engage students through examples of companies where the HR department has fallen short. Discussion questions at the end of each example encourage student analysis of the situation. Examples include: "When Employees Steal," "Discriminating against Pregnant Workers," and "Sneaky Recruiters."



Best Practices

Gentle Giant Moving

Lugging boxes and furniture between rooms and trucks may not sound like work that requires much training. But training is just what Gentle Giant Moving Company relies on to distinguish itself from the competition. The Somerville, Massachusetts-based moving and storage company breaks from the industry practice of laying off most employees after the summertime rush of moving contracts. Instead, during the slow months, it invests in training its workers.

The emphasis on training supports a strategy of being customer driven and team based. Gentle Giant emphasizes its goal of making moving a stress-free experience. That requires employees who know how to communicate, keep work on schedule, and fix any problems quickly. Many customers will pay a little extra for that kind of service. Being team based

service. Team members are expected to help each other improve. If an item is damaged, they are expected to be open about the problem and look for ways to avoid it in the future. Individuals' pay isn't cut to cover the cost of damage, as at other moving companies, because that tempts individuals to hide problems, which interferes with the focus on teamwork and service. All these policies and practices contribute to the company's mission of "making every customer a customer for life."

All employees start out with training in basic skills such as how to pack belongings and carry them safely. Where Gentle Giant stands out is in what comes later: training in customer relations, communication, problem solving, and project management. Learning these skills prepares employees to provide exceptional customer

take on greater responsibility, turning a summer job into a career in the moving industry.

Because Gentle Giant's employees know how to handle customers and problems, they resolve problems immediately, resulting in fewer complaints than other moving companies typically must handle. The career growth keeps many employees from quitting, which reduces the time and expense of hiring and training new people every spring. And it contributes to the company's overall business success. Gentle Giant has grown rapidly every year since its founding in 1980, with 80 percent of its business coming from repeat and referral customers.

Source: Kelly K. Spore, "The Small Workplaces 2007," *HR Strategist*, October 1, 2007, <http://online.wsj.com>; Timothy J. McQuinn, "HR's Right Moment," *BusinessWeek*, September 18, 2006, and Gentle Giant Moving Co., "About Us," <http://www.gentlegiant.com>.

UPDATED!

BEST PRACTICES

Engage students through examples of companies where the HR department is working well. Examples include: "Healthwise Knows the Value of a Valued Employee," "Gallup Helps Wesley Medical Center Find Practical Selection Methods," and "Valuing Diversity at JPMorgan Chase."



Hr How To

DEVELOPING AN ORIENTATION PROGRAM THAT WORKS

There is so much to know about working at any organization that, for the developer of training programs, it can be tempting to dump all that information into new employees' laps. But consider that "orientation" is simpler: it's just about getting pointed in the right direction. How can you move new employees from feeling dazed to being clear about where to go?

- **Start where employees are.** Tell them who you are, how your job relates to theirs, and how the location of the orientation relates to where they will be working.
- **Keep it simple.** Hold off on the piles of forms and manuals as long as possible. Can employees sign up for insurance

- **Allow for conversation.** Set aside some time for one-on-one conversation. That's when employees' real concerns and questions are apt to surface.
- **Encourage participation.** Use role playing, games, and other interactive methods. Trainees will learn more if they aren't limited to listening.
- **Help employees communicate.** Try to think of all the jargon—technical terms and abbreviations—your company uses, and make a glossary. Employees can check it again and again without embarrassment.
- **Help employees remember.** A credit union gives each new employee a deck of flashcards

products and industry regulations. Employees appreciate the opportunity to review the facts over and over at their convenience.

- **Learn from experience.** Pay attention to which questions keep coming up during orientation sessions. Prepare a list of frequently asked questions and answers. At the end of each session, ask trainees what did and didn't help, and take notes so that you can improve the training next time.

Source: Liz Ryan, "Orientation from Us," *BusinessWeek*, August 27, 2007; General Reference Company, www.generalreference.com; and David J. Bonham, "Orientation to Success," *Training*, November/December 2007, pp. 8-24.

UPDATED!

HR HOW TO

Engage students through specific steps to creating HRM programs and tackling common challenges. Examples include: "Employee Surveys," "Supervising Your Parents' Generation," and "Interviewing Effectively."



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COMPUTERS REV UP TRAINING AT DETROIT DIESEL

The toughest training challenge for Detroit Diesel, which makes engines for commercial trucks, is motivating independent service technicians to keep up with new product developments so that they can correctly diagnose and fix problems. The company had formerly combined classroom training with service bulletins. But classes in which experts learned alongside new technicians were dull for the former group and confusing for the latter, and the bulletins mainly sat in e-mail in-boxes.

Detroit Diesel's solution was to use computers to deliver training

The company posted about three dozen Web-based courses online, organized by engine type. Technicians, based on their career goals and the needs at their location, choose which courses to access. Classroom training is offered only to technicians who have already completed the relevant online coursework. That frees instructors to focus on the strengths of classroom training, such as collaboration and hands-on work.

Technical bulletins are now posted online, along with an optional quiz. A quiz might not seem

take them become eligible to receive rewards from Detroit Diesel. Also, the company places random calls asking technicians questions about the bulletins. If they answer correctly, their company earns a prize.

With computers, Detroit Diesel has increased the amount of interaction in its training program—and with that, the enthusiasm of its trainees.

Source: Sarah Boehle, "Powering Up Detroit Diesel's Tech Training," *HR Strategist*, January 2, 2008, www.hrstrategist.com.

UPDATED!

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Engage students through examples of how HR departments are utilizing technology today. Examples include: "High-Tech Flexibility at Bank of the West" and "Video Résumés—Perilous Policy?"



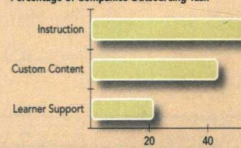
Did You Know?

Many Companies Outsource Training Tasks

A recent survey of U.S.-based corporations found that over half ten said they used outside experts were outsourcing the instruction to create custom content.

Source: "Training 2007 Industry Report," *Training*, November/December 2007, pp. 8-24.

Percentage of Companies Outsourcing Task



UPDATED!

DID YOU KNOW?

Engage students through interesting statistics related to chapter topics. Examples include: "Even Office Work Can Tire You," "One in Three Positions Are Filled with Insiders," and "Employers Are Googling and Social Networking, Too."