

WILLIAM B. WERTHER, JR. AND KEITH DAVIS

HUMAN RESOURCES AND PERSONNEL MANAGEMENT

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FOURTH EDITION

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ABOUT THE AUTHORS

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Dr. Werther is an award-winning author. *Dear Boss* (Meadowbrook, 1989), and *Productivity Through People* (West, 1986) are his most recent books. Besides translations into Spanish, Portuguese, Chinese, Norwegian, and French among his seven books, he also has authored seventy articles for *California Management Review*, *National Productivity Review*, and other journals. His background includes work as a consulting editor to a dozen publishers and editorial board memberships on several management journals.

Professor Werther stays active as an international corporate and Human Resource Management strategist. His experience includes international teaching assignments in Germany, Portugal, Chile, Mexico, Canada and the Bahamas. He has also worked for the White House Conference on Productivity and the American Productivity and Quality Center. Past or current clients include AT&T, Anheuser-Busch, Bell Canada, Citicorp, Dial, General Motors, Hershey Foods, Hewlett-Packard, IBM, NASA, State Farm Insurance, Sun Bank/Miami, TRW, and scores of others. His organization expertise has been sought by the U.S. House of Representatives, Arizona State Senate, *Fortune*, *The Wall Street Journal*, *The Washington Post*, *U.S. News and World Report*, *Nation's Business*, the ABC Radio Network, and The Nightly Business Report (PBS). As a result, Werther also is a frequently requested speaker at conventions, conferences, and management meetings, having addressed a wide variety of groups and conducted more than 1,000 management seminars and workshops.

He serves the local community as a labor arbitrator for both the AAA and the FMCS. From 1980 to 1982, he chaired the Public Employment Relations Board for the City of Phoenix. He also works with the legal community as an expert witness involving employee relations, wrongful discharge, and economic worth cases. Additionally, he serves on several boards of directors for non-profit organizations and was a gubernatorial appointee to the International Currency and Barter Exchange Committee of Florida.

Werther was an N.D.E.A. Title IV Fellow at the University of Florida, where he earned a Ph.D. in Economics and Business Administration (Phi Beta Kappa) in 1971. Prior to joining the faculty at the University of Miami in 1985, he was a Professor of Management at Arizona State University for 14 years.

KEITH DAVIS is professor emeritus of management at Arizona State University, College of Business, and a fellow in both the Academy of Management and the International Academy of Management. He is the author of prominent books on management and the former consulting editor for 135 books in the McGraw-Hill Series in Management. Prior to entering the teaching field, Davis was a personnel specialist in industry and a personnel manager in government.

He received his Ph.D. from Ohio State University and has taught at the University of Texas and at Indiana University. His fields of work are organizational behavior, personnel management, and social issues in management. Davis has been visiting professor at a number of universities, including the University of Western Australia and the University of Central Florida. He also has served as a consultant to a number of business and government organizations, including Mobil Oil Company, Texaco, the U.S. Internal Revenue Service, and the state of Hawaii.

Davis is former president of the Academy of Management, and he received the National Human Relations Award from the Society for Advancement of Management. He has been a national Beta Gamma Sigma distinguished scholar and is an accredited Senior Professional in Human Resources. In 1992 he received the Distinguished Educator Award from the Academy of Management.

Two of Davis's most popular books are (with John W. Newstrom) *Organizational Behavior: Human Behavior at Work* (9th ed., 1993) and (with William C. Frederick and James E. Post) *Business and Society* (7th ed., 1992), both published by McGraw-Hill Book Company. He also has contributed chapters to more than 100 other books and is the author of over 150 articles in journals such as *Harvard Business Review*, *Academy of Management Journal*, *Management International*, and *California Management Review*. Four of his books have been translated into other languages.

PREFACE

We believe that human resource departments play a pivotal and expanding role in shaping the success of domestic and international organizations.

—THE AUTHORS

THE ULTIMATE test of any college textbook is teacher and student acceptance. After three editions and hundreds of adoptions and readoptions, *Human Resources and Personnel Management* has passed the test of the marketplace. Perhaps even more gratifying, large numbers of students have retained their book for their professional libraries after course completion, suggesting that they too found real value in the book.

Adoptions of the book around the world have been led by the Canadian edition (adapted by Professors Hermann F. Schwind and Hari Das of Saint Mary's University), which expanded its role as the leading human resource textbook in Canada. The Spanish, Portuguese, and French translations—along with the international student edition, published in Singapore—gained additional adoptions around the world.

The book's global acceptance is attributed to its balanced coverage of both theory and practice. Students and instructors tell us it is understandably written and pragmatic in orientation. As we wrote in the preface of the first edition in 1981:

Although balanced and thorough coverage is the most important feature of the book, we believe that readers and instructors want more than that. Comments from colleagues and students convinced us that an introductory personnel management text must be readable and teachable. It should:

- *Capture the interest of readers*
- *Reflect the flavor and challenges of this exciting field*
- *Provide instructors with a flexible teaching tool*

In the fourth edition, we continue to stress the application-oriented approach of previous editions by further expanding the use of “real-life” examples, drawn from well known companies around the world. Not only do these examples add interest, but they give authentic insights into this dynamic field. And, given the increased globalization of organizations, this edition expands the discussion of international human resource management throughout the book. At the same time, we have updated the coverage in every chapter and added more extensive citations for those wishing to explore specific topics in greater depth.

It is all
about people.

Purpose

Our premise is that modern organizations are the most important innovations of our era. Organizations succeed by effectively and efficiently combining resources to implement their strategy. Central to any strategy, to any use of resources are the people employed by the organization. How well an organization obtains, maintains, and retains its human resources determines its success or failure. And the success or failure of our organizations shapes the well-being of every person on earth.

The purpose of this book is to explain the human resource department's role in dealing with employees. It introduces the challenges of human resource management and presents the key concepts, issues, and practices without being encyclopedic. Our focus is practical. We emphasize the applications of theory and practice so that readers will gain a useful understanding of human resource management, whether they seek careers in this field or in other disciplines.

Quality and Acceptance

The guiding principle of this revision was to produce a highly readable book—one that was clear, interesting, and of high quality. A study by George S. Cole of Shippensburg University, published in the *Academy of Management Review*, compared several leading human resource textbooks, including ours.* It rated our second edition as the highest-quality personnel textbook. His study also found this book received the most favorable reaction from students and the highest proportion of users saying that they “certainly would” adopt the book again.

*George S. Cole, “Managing the Human Resources of Work: A Review of Personnel/Human Resource Management Texts,” *Academy of Management Review*, Oct. 1985, pp. 881–888.

We believe this edition improves on its previous editions.

Balanced Coverage and Revision Highlights

The book seeks balanced coverage among traditional topics and emerging challenges to human resource management. Theory and practices are supplemented with “real-life” examples and research summaries, drawn from our experience and the literature. We assume no prior knowledge of the field by the reader.

The fourth edition contains an extensive content revision to reflect the rapid changes in the field. Greater attention has been paid to the department's role as a source of competitive advantage in the on-going internationalization of organizations.

The result has been a new chapter, “International Challenges,” added as the third chapter of the book to set the tone and importance of international human resource management for the remainder of the book.

To keep the text at a usable length while adding new materials, the book's nineteen chapters have been reorganized into five parts:

- **PART I FRAMEWORKS AND CHALLENGES**
- **PART II PREPARATION AND SELECTION**
- **PART III DEVELOPMENT AND EVALUATION**
- **PART IV COMPENSATION AND PROTECTION**
- **PART V EMPLOYEE RELATIONS AND ASSESSMENT**

PART I sets the framework for the human resource function, and discusses the internal, external, international, and equal employment challenges that create the framework in which the human resource function must operate. PART II provides the basis of the human resource information system by explaining job analysis and design along with the importance of human resource planning as foundations for the discussions about recruitment and selection. PART III explores the need for orientation, placement, training, development, performance appraisal, and career planning. PART IV examines the roles and practices associated with compensation management, including chapters on incentives and gainsharing; benefits and services; and safety, security, and health. PART V concludes with chapters on employee and labor relations. The last chapter addresses the assessment of human resource management and future challenges.

Besides the addition of a chapter on "International Challenges" in PART I, readers will find that the two chapters covering employee relations practices and quality of work life have been consolidated into a new chapter in PART V, "Employee Relations Challenges." Also in PART V, the two chapters devoted to the union-management framework, bargaining, and contract administration have emerged as a single, new chapter, "Dispute Resolution and Unions." The result, we think, is a better organization of the book with little loss of content.

Besides new chapters, all the other chapters have been updated through new concepts, theories, practices, and examples. The Americans with Disabilities Act is introduced and explained. The Foreign Corrupt Practices Act gains additional exposure in the book, in keeping with the more extensive treatment of international human resource management. Coverage of work force diversity, recent court cases, and future challenges all receive expanded coverage.

Key Features

To make the book both readable and a useful teaching tool, the fourth edition expands upon the key features of previous editions. Among these features users and reviewers report as helpful are:

1. *Part-openings.* Each of the five parts of the book begins with a brief overview of the following chapters and emphasizes the importance of the topic to readers.

2. *Real-life examples.* This edition includes more than 200 examples drawn almost exclusively from named companies. Many are new. They demonstrate and reinforce the relevancy of key ideas, while adding to reader interest and retention. To provide greater continuity and integration, the book often uses the same organizations for several examples within a chapter.

3. *Two-color figures.* Scores of two-color figures are used throughout the book, summarizing key relationships or illustrating concepts. Where appropriate, new figures have been added and previous ones updated.

4. *Chapter objectives.* Each chapter begins with six learning objectives to highlight key areas of the following chapter. (These objectives are useful review tools, especially from comprehensive and essay examinations.)

5. *Opening example.* To provide a practical context for the theory and practices discussed in the chapter, the introduction of each chapter contains an opening example, drawn for a major corporation.

6. *Chapter quote.* Each chapter begins with a quote from a researcher or practitioner. They were selected to stimulate interest in the chapter, underscore the importance of the following content, or offer an interesting counterpoint to conventional wisdom.

7. *Chapter summary.* A brief summary of each chapter is provided at the end to review the key ideas.

8. *Terms for review.* The end of each chapter contains a list of the key concepts mentioned in the chapter. Their number has been expanded in this revision, but as in previous editions they are italicized and defined within the chapter. (Definitions of key terms also appear in the glossary at the end of the book.)

9. *Review and discussion questions.* Each end-of-the-chapter section contains eight review and discussion questions. They are of two kinds: some request a summary of chapter ideas while others focus on the application of concepts.

10. *Chapter incidents.* Classroom-tested incidents appear at the end of each chapter. They emphasize the application of chapter concepts to specific questions. More than half have been updated for this edition.

11. *References.* Chapters end with a mixture of classical and current references to allow the reader to explore topics in greater depth and serve as a jumping-off point for course-based assignments. The fourth edition has expanded these references to provide greater detail in documentation.

12. *Glossary.* Since the book is intended as an introduction to the topic of human resources and personnel management, the extensive glossary of previ-

ous editions has been expanded to allow adopters to vary the chapter sequence to suit their personal preferences. (The glossary also serves as a useful review tool for comprehensive examinations.)

SUPPLEMENTARY MATERIALS

A new Study Guide, by Lee Stepina of Florida State University, is designed to augment the learning process by helping students assess their progress as they work through the text. For the instructor, a comprehensive instructor's manual and test bank is available to adopters to augment the balanced coverage and interest-building features of the book. Users of previous editions report that the manual and test bank were two of the most thorough teaching resources available for teaching human resources and personnel management.

Instructor's manual/Test bank

The instructor's manual is set up as a resource book. Section 1 contains a sample course syllabus, alternate course designs, suggested term projects, a film and videotape bibliography with addresses, and other instructional resources. Section 2 offers chapter-by-chapter materials such as lecture notes keyed to chapter outlines, experiential in-class exercises, answers to review and discussion questions, and comments on chapter incidents. Section 3, the test bank contains about 1000 questions, including true-false, multiple-choice, essay, and other formats drawn from the text. It has been extensively revised and expanded to include materials from this edition. Section 4 holds a set of transparency masters selected from the figures in the text. For additional information on prices and availability of these and other supplements for human resource management, contact your local McGraw-Hill representative.

ACKNOWLEDGMENTS

The great laboratory of a free economy combined with the diligent efforts of researchers have created a never ending stream of innovations. The index identifies those who have most contributed to our view of human resource management through their research and writings. To all the others, who have greatly contributed to this field, we believe this book captures the fundamentals of their creative efforts.

Our greatest appreciation goes to those who gave so freely of their time and advice; their good counsel enriched the book in many ways. Where we failed to heed their advice, we remain responsible. In particular, we are most grateful to John W. Newstrom, of the University of Minnesota, Duluth and William E. Reif of Arizona State University. Along with Fred Luthans, of the University of

Nebraska, these scholars played an important role in the initiation of this book in its first edition.

Our sincere appreciation also extends to those who have provided many useful comments and suggestions during the course of this book's development through four editions, especially George Biles, American University; Genie Black, Western Carolina University; George Bohlander, Arizona State University; Alan Browning, Merritt College; Tom Chacko, Iowa State University; Randy L. DeSimone, Rhode Island College; Joseph DiAngelo, Widener University; Robert Gatewood, University of Georgia; Joyce Giglioni, Mississippi State University; Gary L. Gordon, SUNY, Oswego; Ronald E. Guittarr, Northwestern University; Michael M. Harriss, University of Missouri, St. Louis; Stephen Hartman, New York Institute of Technology; Christine L. Hobart, Northeastern University; Wallace Johnson, Virginia Commonwealth University; Thomas Johnston, Nassau County Community College; Paul Keaton, University of Wisconsin, LaCrosse; Linda A Krefting, Texas Tech University; Richard A. Lester, University of North Alabama; Robert McGinty, Eastern Washington University; Carl McKenry, University of Miami; Herff L. Moore, University of Central Arkansas; Gregory Northcraft, University of Arizona; John Overby, University of Tennessee; Richard J. Randolph, Johnson County Community College; Marcus Hart Sandver, Ohio State University; Lee Stepina, Florida State University; George E. Stevens, Oakland University; Arthur Whatley, New Mexico State University; Harold C. White, Arizona State University; and Margarel L. Williams, Purdue University.

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