
HUMAN RESOURCE MANAGEMENT

AN EXPERIENTIAL
APPROACH



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JOYCE E. A. RUSSELL

HUMAN RESOURCE MANAGEMENT

AN EXPERIENTIAL
APPROACH

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JB dedicates the book to Kathleen who has (and will) overcome all obstacles and whose love and inspiration saw me through the rough spots.

JEAR dedicates the book to Michael who brightens up my every day and helps us experience the really important things—he is truly cherished.

PREFACE

This text differs from other human resource management (HRM) texts in providing theoretical and experiential approaches to the study of HRM while focusing on the enhancement of student personal competencies. Students are given the conceptual background and content necessary to understand the relevant issues in HRM. In addition, they will participate in individual and group exercises which require the application of chapter content to specific problems designed to develop critical personal competencies.

Our book is the first attempt to directly link student learning experiences in HRM with assessed competencies judged by experts to be essential for graduating business students. As we discuss in Chapter 1, recent studies have been critical of the readiness of business graduates for work, noting deficiencies in a number of areas, including communication skills, analytical thinking, decision-making ability, and leadership potential. While other experiential texts are available, this is the first to attempt to provide adequate coverage of the subject matter in each of the vital areas of HRM while preparing the student to “learn by doing.” This is also the first attempt among HRM texts to provide a research-based methodology for the assessment of the critical competencies and to provide a process by which students may evaluate the extent to which they have improved their competencies as they progress through the course.

All the experiential exercises in this book were designed to enhance some or all of the critical personal competencies in the context of HRM subject matter. We introduce the student to these competencies in the first chapter and attempt to develop them all the way through the text. To do so, we use participation in experiential exercises requiring the application of the HRM knowledge expected of practicing managers. The experiential exercises were developed so as to facilitate greater learning through class interaction and projects. There is usually an individual writing component to the exercise followed by group interaction and consensus building. A 1991 study by Dr. Richard Light at Harvard University found that this approach to undergraduate education is superior to the standard straight lecture approach.

Successful completion of these field-tested exercises, combined with the assessment processes described in Appendix B, should foster student development in all the areas experts believe to be critical in preparing business students for their first “real jobs.”

Studies show that the majority of business graduates will ultimately manage or supervise employees. Research in this area shows that the two areas which prove to be the most troublesome and crucial for managers are performance management and dealing with an increasingly diverse workforce (e.g., equal employment opportunity). Our objective with this book is to emphasize knowledge and direct experience in these areas without compromising treatment of the other domains of HRM. Procedures are available in this text to require students to evaluate their own performance and that of peer group members after completion of most of the experiential exercises. Research also shows that the more experience a person has had with the performance management process, the more effective that individual is in fulfilling this important managerial responsibility.

We have incorporated exercises and discussion questions throughout the text which require the student to consider equal employment opportunity laws in particular HRM contexts. So, unlike the standard HRM text which covers EEO in one chapter, this book compels the student to weigh the EEO implications of HRM activities such as job analysis (Chapter 4), downsizing programs (Chapter 5), personnel selection processes (Chapters 6 and 7), employee training and development (Chapter 8), performance appraisal (Chapter 10), compensation (Chapters 11 and 12), and other major HRM activities. We have devoted considerable discussion to the implications of the new Civil Rights Act of 1991 and the Americans with Disabilities Act of 1990, two laws which will have a profound influence on personnel practices.

We do not shy away from any of the significant, yet controversial issues of the day. For example, among the controversial topics we cover and for which we have experiential exercises are ethnic score differences on employee screening devices, affirmative action programs, sexual harassment, employment-at-will, random drug testing with no probable cause, smoking in the workplace, executive compensation, employee assistance programs, and equal pay for work of comparable worth.

Another distinctive feature of this book is our enlistment of the assistance of a number of experts in the HRM field for contributions to particular areas of HRM. This was done to ensure that the material was current, and focused on the most important, up-to-date issues. The book is carefully integrated; we worked hard to establish theme and reading continuity across the chapters. Our

experts were selected on the basis of their experience, knowledge, and research accomplishments in a particular area of HRM and/or their experience with well-tested, experiential exercises which foster learning in a critical HRM content area. Since HRM is strongly influenced by a number of disciplines (e.g., law, economics, psychology, sociology, strategic management), we sought out expertise to represent these varied orientations. We believe the finished product represents a broader perspective than a book prepared by authors from only one of those disciplines.

A few other distinguishing features of this text should also be noted. First, international issues are discussed in most chapters to illustrate both the special and common characteristics of international HRM. Given today's competitive global marketplace, HR professionals need increasingly to understand international strategies if they are to provide meaningful assistance to their firms. We have also devoted separate chapters to the issues of "quality" and competitive HRM advantage. Interwoven in each chapter of the book is an underlying theme of improving quality and increasing competitive advantage with more effective HRM practices.

We have also included an appendix devoted to measurement issues related to HRM. Appendix A is available to those instructors who wish to emphasize quantitative assessments of HRM practices and estimating the financial value (i.e., utility) of various HRM activities. The appendix also includes two exercises designed to enhance understanding of critical measurement issues related to HRM.

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*H. John Bernardin
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1

C H A P T E R

HUMAN RESOURCE MANAGEMENT IN A CHANGING ENVIRONMENT

OVERVIEW

Human resource management (HRM) concerns the recruitment, selection, development, compensation, retention, evaluation, and promotion of personnel within an organization. The human resources (HR) of an organization consist of all people who perform its activities. In a sense, all decisions which affect the workforce concern the organization's HRM function. Regardless of the size (or existence) of a formal HRM or personnel department, the activities involved in HRM are pervasive throughout the organization.

A goal of this book will be to provide information and experiences to be used in ultimately improving the effectiveness of HRM activities in which the student will be involved in the future. Our thesis is that the most effective HRM programs, policies, and practices are those which are established, maintained, and improved with the organization's mission and strategic plan in mind, and in particular, with total customer satisfaction as the ultimate goal.

It is also our view that this is not how HRM is typically carried out in U.S. organizations. HRM activities are sometimes faddish and disjointed, with little consideration of the organization's mission or goals. Many HRM activities are directed at correcting a problem rather than anticipating and planning to avoid problems in the future. Programs are often initiated as a result of a serious personnel problem such as a lawsuit or to keep up with what a competitor is doing. For example, Southeast Bank in Florida implemented an expensive computer-based managerial training program simply because a major competitor used the program. No attempt was made either to assess the actual need for the training or to assess the effects of the training in terms of service quality or customer satisfaction. Often, there is limited integration among the various HRM activities such as personnel selection, training, and performance appraisal. IBM is often cited as a paragon of HRM effectiveness. One division, however, installed personal computers in its Burlington, Vermont, factories only to discover that the factory workers required training in high school algebra in order to run them.¹ Most organizations do not assess the long-term consequences of their HRM programs or activities. One large department store chain used the same psychological test to hire sales personnel for over 8 years. At no time was an attempt made to assess whether the test actually worked (it didn't). Many U.S. companies now use graphology, or handwriting analysis, to assess personnel potential, despite the fact that no study has ever determined the method to be predictive of anything important. In a year in which the company lost \$3 billion, its stock price dropped to a four-year low, unit sales per salaried employee plummeted, and more market share was lost to

the Japanese, GM awarded 80 percent of its managers a performance bonus and dismissed fewer than 100 (of over 100,000) salaried workers for poor performance.

Some organizations, however, look at the HRM function as a major contributor to the accomplishment of the organization's mission and a source of competitive advantage. We believe this new conceptualization is essential for American business as we head toward the twenty-first century. In *Megatrends 2000*, John Naisbitt and Patricia Aburdene place heavy emphasis on the role of HRM in preparing America for the millennium. "It will require a tremendous human resource effort to transform corporate America into the decentralized, customer-oriented model of the information society. Yet that is what is needed for the United States to fully participate in the blooming global economy. With new markets, with a single-market Europe, and with new competitors from Asian countries, corporations need people who can think critically, plan strategically, and adapt to change."²

OBJECTIVES

After studying this chapter, you should be able to:

1. Describe the field of HRM and the increasing importance of HRM.
2. Explain the trends relevant to the growing importance of HRM, including the U.S. productivity crisis, greater global competition, the increasing role of regulations and lawsuits, and the changing demographics of the workforce.
3. Describe the major activities performed by HRM professionals in the context of six domains.
4. Discuss the role of employee involvement in designing and implementing effective HRM programs in the context of the critical HRM constituencies.

The chief executive officer (CEO) of a medium-sized manufacturing company once confided that, not too long ago, the major responsibility of the personnel director was to organize the annual company picnic. The executive claimed that the personnel officer always carried the watermelon. While this is obviously an exaggeration, it is certainly true that personnel officers, in the words of Rodney Dangerfield, "got no respect." One personnel manager even referred to the personnel department as "the dumping ground for people who couldn't hack it in operations. . . people basically failed their way into personnel." Essentially, the role was viewed as clerical in nature, with the personnel department overseeing basic tasks such as record keeping, compliance with a myriad of regulations, and payroll.

The good news, however, is that the status of HRM activities is improving in the United States. One 1989 survey found that HR programs are now much more closely tied to business plans than they were in 1983.³ The HRM function is becoming more professional, due to the higher educational and skill levels of HRM practitioners. In addition, the personnel function has been given a new name, "human resources," and bigger budgets have been allocated for HRM activities. Responsibilities have also been expanded, and greater prestige has been associated with the position. A 1988 survey of corporate CEOs found that the majority of top HRM executives now report *directly* to the CEO and that 43 percent of Fortune 500 firms assigned the top HR professional to a vice-president position.⁴

In general, senior management is slowly coming to realize that, like the financial and operations side of the company, employees should be viewed as a "resource" or "social capital." Although there is an initial investment in the form of employee recruiting and training costs, it is apparent that the investment can ultimately yield a positive return over time, with the proper care and maintenance. In fact, there is a growing realization that HRM activities have a great deal to do with productivity and related product and service quality. Companies are now more fully recognizing that their workforce can be their greatest strength. Merck, the pharmaceutical giant, earned the top spot among 307 companies in *Fortune* magazine's 1992 Corporate Reputations survey of over 8000 senior executives, the sixth year in a row for the honor. Merck credits their remarkable record to "attracting, developing, and keeping good people."⁵ Many of the other most-admired companies, such as Liz Claiborne, Wal-Mart, Levi Strauss, and Johnson & Johnson, attribute their success to their human resources.

Training and preparation for HRM professionals have improved dramatically in recent years. Salaries for jobs in the HRM area have increased and are now competitive with those in accounting, finance, and marketing. The profession is also attracting more innovative, creative, and career-oriented professionals. An increasing percentage of business undergraduates are selecting HR as a major, and HRM is a popular M.B.A. specialization. Most important, a growing portion of senior management now recognizes that HRM is critical for organizational effectiveness and can provide advantages in an increasingly competitive environment. Greater demands are being made on HRM professionals. Today, the HRM function must be conceptualized in a business capacity which is constantly focused on the strategy of the organization. That is, HR professionals must increasingly illustrate how they can make a difference in the company's bottom line. As suggested by James G. Parkel, director of personnel for IBM, "Today, HRM professionals are

much more concerned with business management functions, government relations and international issues—issues beyond human resources. . . . HR professionals will be judged on their ability to be innovative and cost-effective, along with their ability to get the job done in conjunction with line management."⁶

TRENDS RELATED TO THE INCREASED IMPORTANCE OF HRM

There are a number of reasons for the increased attention being given to HR by senior-level management. Most experts cite declining U.S. productivity and an increasingly competitive work environment as the two most significant trends that have expanded the role and importance of the HRM function in organizations. Other contributors to the increased attention to HRM have been increased laws and regulations; the proliferation of lawsuits related to HR; changes in workforce characteristics; and a poor fit between workforce knowledge, skills, and abilities and job requirements. We will discuss each of these trends below.

The U.S. Productivity Crisis

The most important reason for the increased interest in HRM is the perceived connection between HRM activities and claims of a productivity crisis in the United States and the related indictment of the quality of U.S. products and services. A sizable portion of corporate America has come to the realization that the United States has a serious productivity and quality problem which requires immediate attention. A smaller but growing percentage of managers recognizes the importance of HR in dealing with the problem.

One review on the subject of American productivity and what we can do about it concludes that "U.S. competitiveness has seriously eroded, the international competitive challenges are far stronger than most people realize, the U.S. response is inadequate to meet the challenges, and not only can the United States lose its world leadership, but at the moment it is losing."⁷ While there are others who are less pessimistic, there is no expert on the subject who considers the productivity levels of the United States in recent years to be superior to or even on a par with those of its major international competitive rivals (Japan, Korea, Germany, and France). The prospects for the future are rather bleak. After an exhaustive 1992 examination of U.S. competitiveness in 13 industries, *Fortune* magazine concluded that "the pain endured by American industry in the 1980's has yet to translate into major gains, either in market share or in relative competitiveness. . . . American companies continue to lose ground