



**human**

**Gary Dessler**

tenth edition

# **resource management**

**Chapter 1**

**Part 1 Introduction**

## **The Strategic Role of Human Resource Management**

# *After studying this chapter, you should be able to:*

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- 1. Explain what human resource management (HR) is and how it relates to the management process.*
- 2. Give at least eight examples of how managers can use HR concepts and techniques.*
- 3. Illustrate the HR management responsibilities of line and staff (HR) managers.*
- 4. Provide a good example that illustrates HR's role in formulating and executing company strategy.*
- 5. Write a short essay that addresses the topic: why metrics and measurement are crucial to today's HR managers.*
- 6. Outline the plan of this book.*

# The Manager's Human Resource Management Jobs

## ➤ *Management process*

- The five basic functions of planning, organizing, staffing, leading, and controlling.

## ➤ *Human resource management (HRM)*

- The policies and practices involved in carrying out the “people” or human resource aspects of a management position, including recruiting, screening, training, rewarding, and appraising.

# Personnel Aspects Of A Manager's Job

- *Conducting job analyses (determining the nature of each employee's job)*
- *Planning labor needs and recruiting job candidates*
- *Selecting job candidates*
- *Orienting and training new employees*
- *Managing wages and salaries (compensating employees)*
- *Providing incentives and benefits*
- *Appraising performance*
- *Communicating (interviewing, counseling, disciplining)*
- *Training and developing managers*
- *Building employee commitment*

# Personnel Mistakes

- *Hire the wrong person for the job*
- *Experience high turnover*
- *Have your people not doing their best*
- *Waste time with useless interviews*
- *Have your company in court because of discriminatory actions*
- *Have your company cited by OSHA for unsafe practices*
- *Have some employees think their salaries are unfair and inequitable relative to others in the organization*
- *Allow a lack of training to undermine your department's effectiveness*
- *Commit any unfair labor practices*

# Basic HR Concepts

## ➤ *Getting results*

- The bottom line of managing

➤ *HR creates value by engaging in activities that produce the employee behaviors the company needs to achieve its strategic goals.*



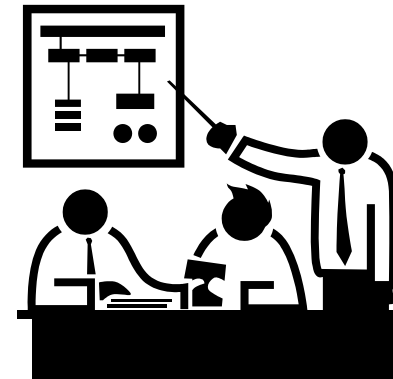
# Line and Staff Aspects of HRM

## ➤ *Line manager*

- A manager who is authorized to direct the work of subordinates and is responsible for accomplishing the organization's tasks.

## ➤ *Staff manager*

- A manager who assists and advises line managers.



# Line Managers' HRM Responsibilities

1. *Placing the right person on the right job*
2. *Starting new employees in the organization (orientation)*
3. *Training employees for jobs new to them*
4. *Improving the job performance of each person*
5. *Gaining creative cooperation and developing smooth working relationships*
6. *Interpreting the firm's policies and procedures*
7. *Controlling labor costs*
8. *Developing the abilities of each person*
9. *Creating and maintaining department morale*
10. *Protecting employees' health and physical condition*



# Functions of the HR Manager

## ➤ *A line function*

- The HR manager directs the activities of the people in his or her own department and in related service areas (like the plant cafeteria).

## ➤ *A coordinative function*

- HR managers also coordinate personnel activities, a duty often referred to as **functional control**.

## ➤ *Staff (assist and advise) functions*

- Assisting and advising line managers is the heart of the HR manager's job.

# HR and Authority

## ➤ *Authority*

- The right to make decisions, direct others' work, and give orders.

## ➤ *Implied authority*

- The authority exerted by an HR manager by virtue of others' knowledge that he or she has access to top management.

## ➤ *Line authority*

- The authority exerted by an HR manager by directing the activities of the people in his or her own department and in service areas.

# Employee Advocacy

## ➤ *HR must take responsibility for:*

- Clearly defining how management should be treating employees.
- Making sure employees have the mechanisms required to contest unfair practices.
- Represent the interests of employees within the framework of its primary obligation to senior management.

# Examples of HR Job Duties

## ➤ *Recruiters*

- Search for qualified job applicants.

## ➤ *Equal employment opportunity (EEO) coordinators*

- Investigate and resolve EEO grievances, examine organizational practices for potential violations, and compile and submit EEO reports.

## ➤ *Job analysts*

- Collect and examine information about jobs to prepare job descriptions.

# Examples of HR Job Duties (cont'd)

## ➤ *Compensation managers*

- Develop compensation plans and handle the employee benefits program.

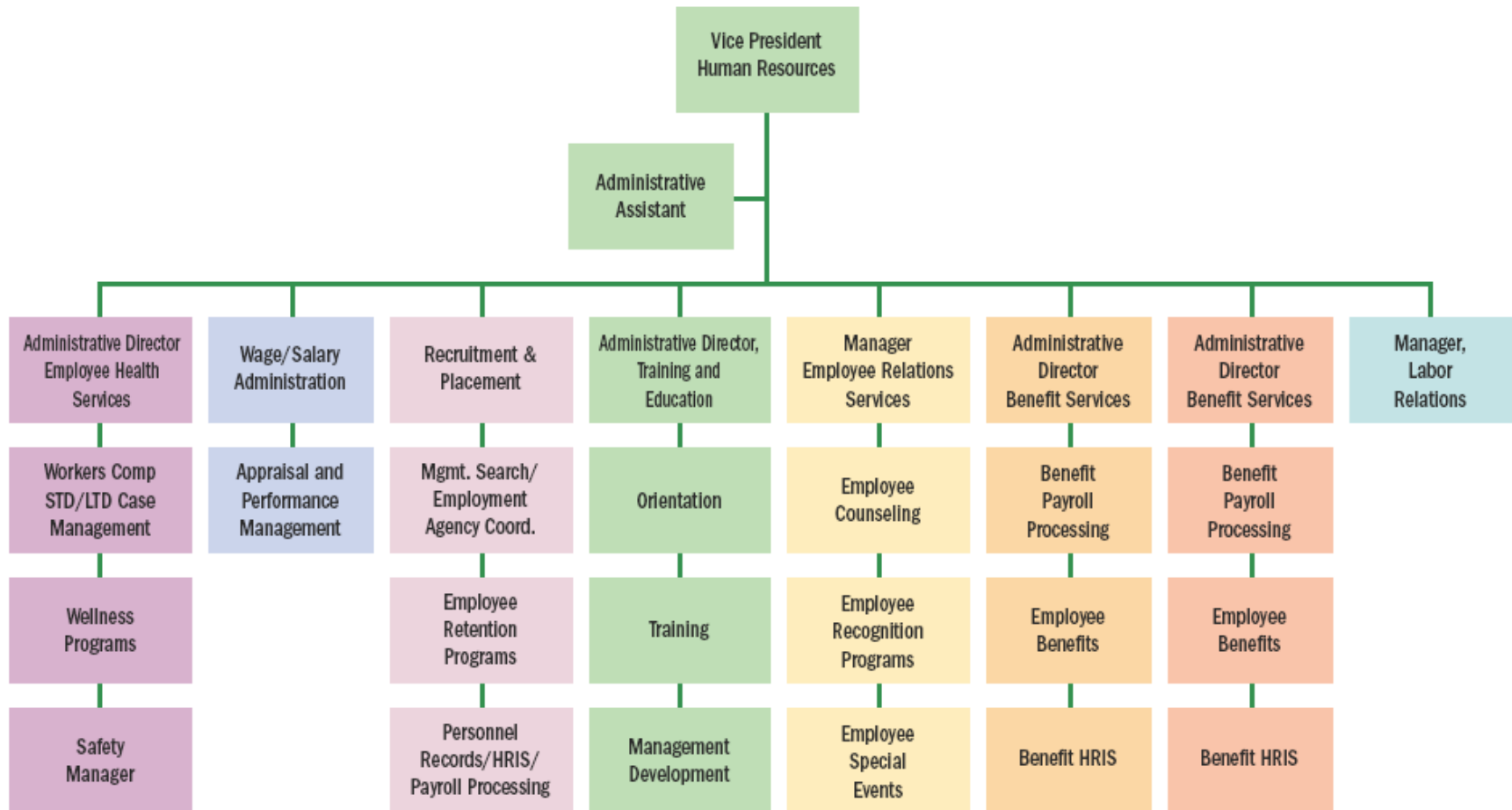
## ➤ *Training specialists*

- Plan, organize, and direct training activities.

## ➤ *Labor relations specialists*

- Advise management on all aspects of union–management relations.

# HR Department Organizational Chart (Large Company)



Source: Adapted from *BNA Bulletin to Management*, June 29, 2000.

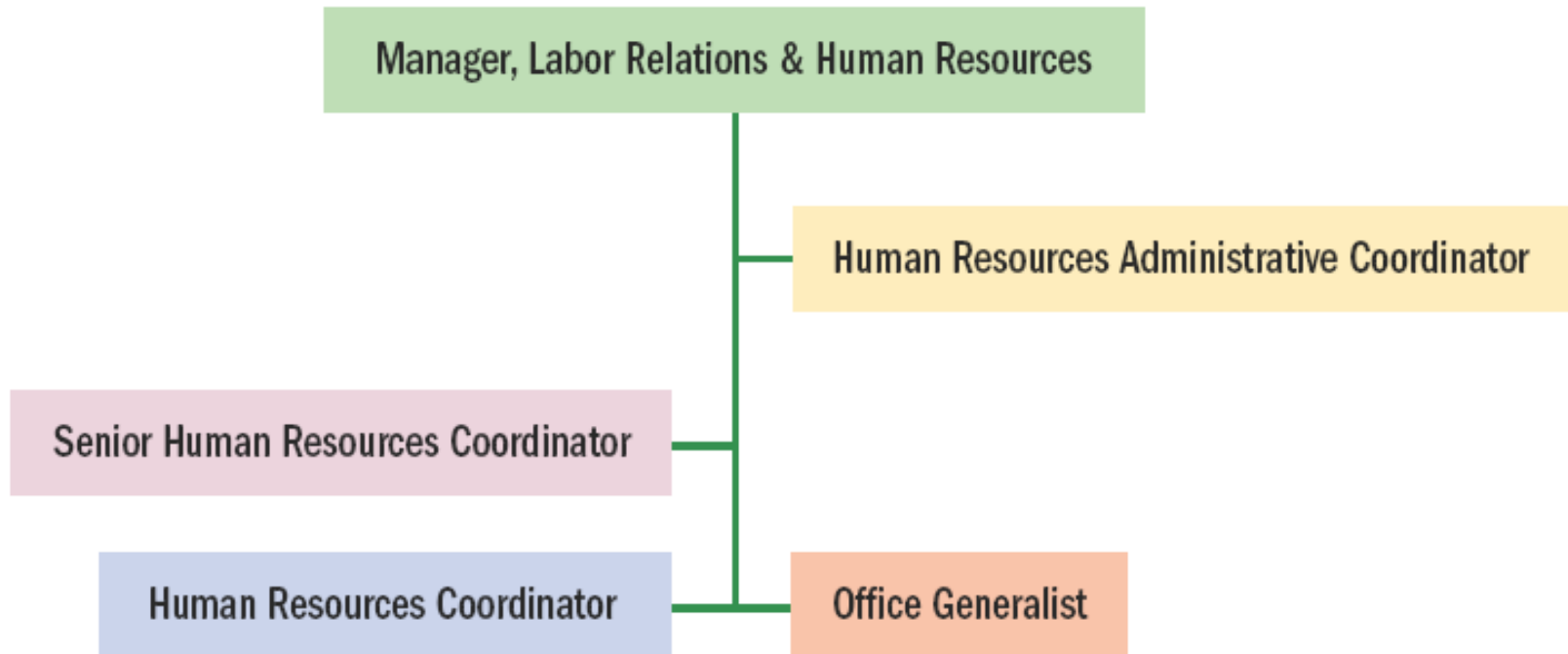
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**Figure 1–1**

# Cooperative Line and Staff HR Management

- 1. The line manager's responsibility is to specify the qualifications employees need to fill specific positions.*
- 2. HR staff then develops sources of qualified applicants and conduct initial screening interviews*
- 3. HR administers the appropriate tests and refers the best applicants to the supervisor (line manager), who interviews and selects the ones he or she wants.*

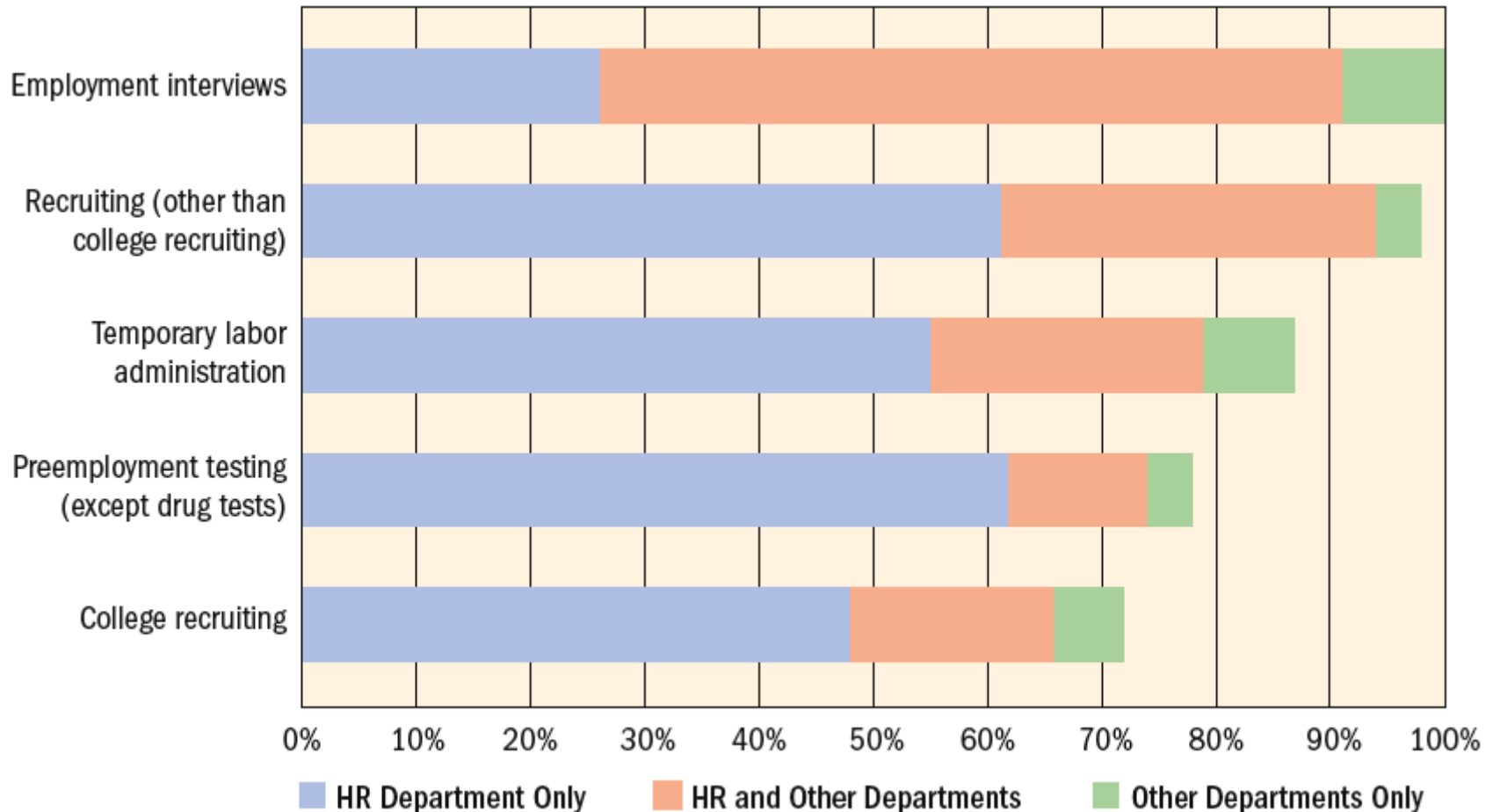
# HR Organizational Chart (Small Company)



**Figure 1–2**



# Employment and Recruiting—Who Handles It? (percentage of all employers)



Note: length of bars represents prevalence of activity among all surveyed employers.

Source: HR Department Benchmarks and Analysis," BNA/Society for Human Resource Management, 2002.

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**Figure 1–3**

# The Changing Environment Of HR Management

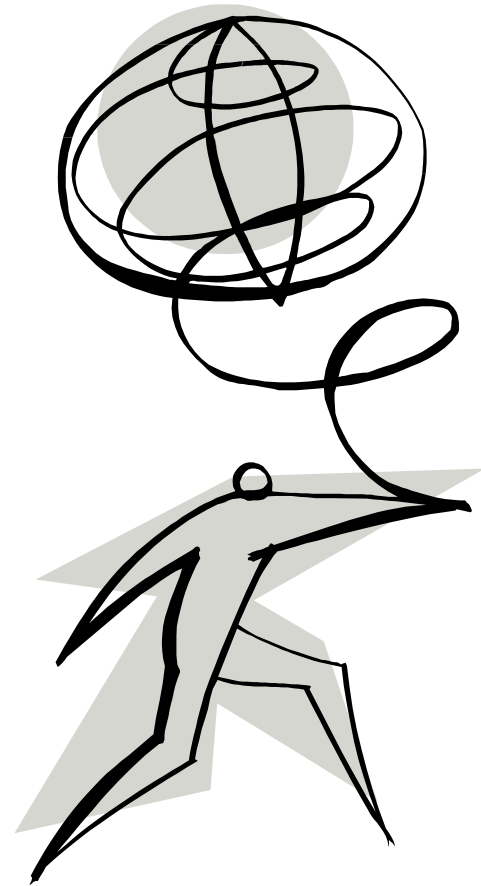
## ➤ *HR's changing role:*

### *“Personnel departments”*

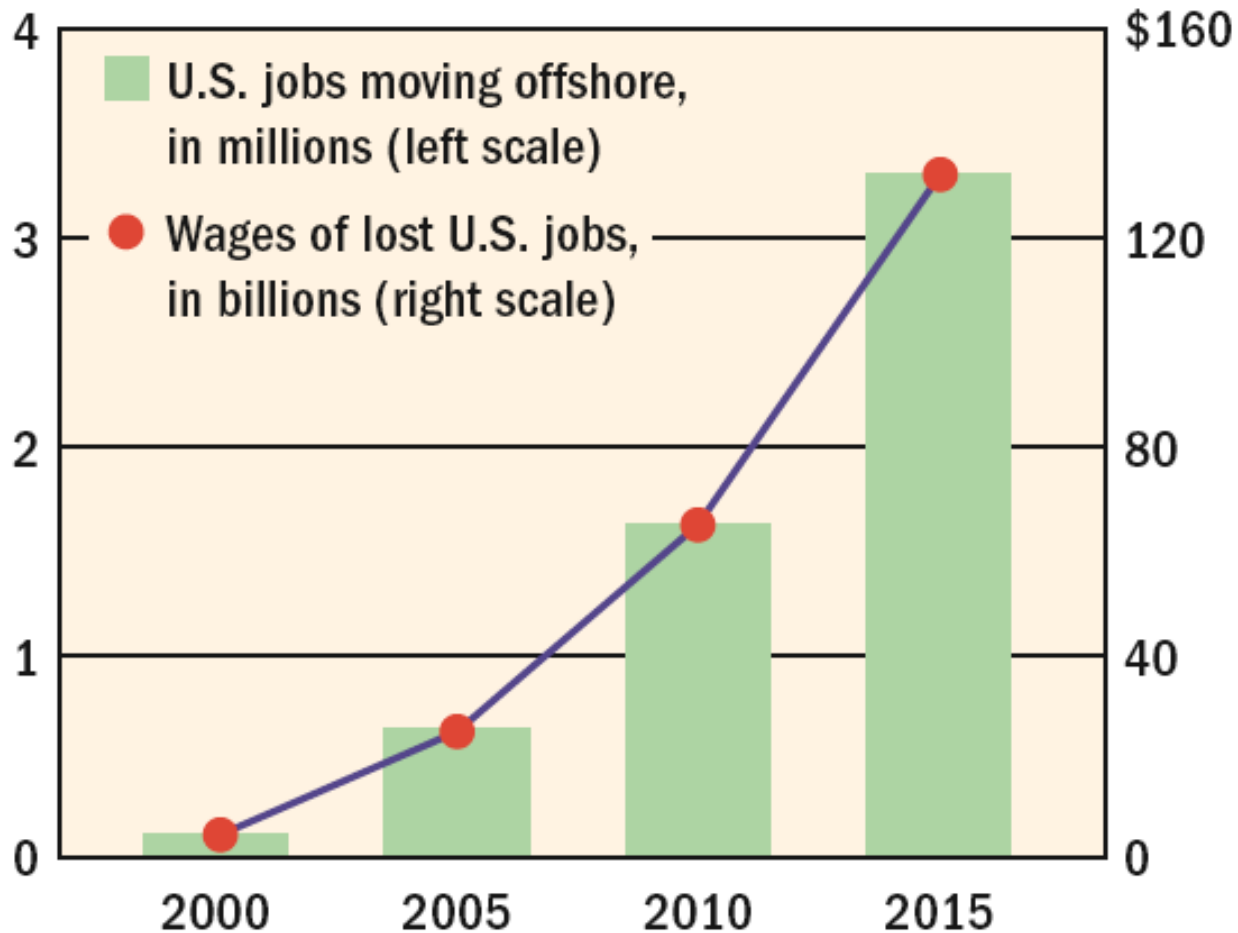
- Took over hiring and firing from supervisors, payroll, and benefit plans administration.
- In the 1930s added “protecting the firm in its interaction with unions” responsibilities (labor relations).
- Assumed organizational responsibilities for equal employment and affirmative action.

# A Changing HR Environment

- *Globalization*
- *Technological Advances*
- *Exporting Jobs*
- *The Nature of Work*
- *Workforce Demographics*



# Employment Exodus: Projected Loss of Jobs and Wages



Source: Michael Shroeder, "States Fight Exodus of Jobs," *Wall Street Journal*, June 3, 2003, p. 84.

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**Figure 1–4**

# Measuring HR's Contribution

## ➤ *Strategy*

- The company's long-term plan for how it will balance its internal strengths and weaknesses with its external opportunities and threats to maintain a competitive advantage.
  - HR managers today are more involved in partnering with their top managers in both designing and implementing their companies' strategies.
- Top management wants to see, precisely, how the HR manager's plans will make the company more valuable.

# HR Metrics

## ➤ *Absence Rate*

$$\frac{[(\text{Number of days absent in month}) \div (\text{Average number of employees during mo.}) \times (\text{number of workdays})]}{\times 100}$$

## ➤ *Cost per Hire*

$$\frac{(\text{Advertising} + \text{Agency Fees} + \text{Employee Referrals} + \text{Travel cost of applicants and staff} + \text{Relocation costs} + \text{Recruiter pay and benefits})}{\div \text{Number of Hires}}$$

## ➤ *Health Care Costs per Employee*

$$\frac{\text{Total cost of health care}}{\div \text{Total Employees}}$$

## ➤ *HR Expense Factor*

$$\frac{\text{HR expense}}{\div \text{Total operating expense}}$$

Sources: Robert Grossman, "Measuring Up," *HR Magazine*, January 2000, pp. 29–35; Peter V. Le Blanc, Paul Mulvey, and Jude T. Rich, "Improving the Return on Human Capital: New Metrics," *Compensation and Benefits Review*, January/February 2000, pp. 13–20; Thomas E. Murphy and Sourushe Zandvakili, "Data and Metrics-Driven Approach to Human Resource Practices: Using Customers, Employees, and Financial Metrics," *Human Resource Management* 39, no. 1 (Spring 2000), pp. 93–105; [*HR Planning*, Commerce Clearing House Incorporated, July 17, 1996;] *SHRM/EMA 2000 Cost Per Hire and Staffing Metrics Survey*; [www.shrm.org](http://www.shrm.org).

**Figure 1–5**

# HR Metrics (cont'd)

## ➤ *Human Capital ROI*

$$\text{Revenue} - (\text{Operating Expense} - [\text{Compensation cost} + \text{Benefit cost}]) \div (\text{Compensation cost} + \text{Benefit cost})$$

## ➤ *Human Capital Value Added*

$$\text{Revenue} - (\text{Operating Expense} - ([\text{Compensation cost} + \text{Benefit Cost}]) \div \text{Total Number of FTE}$$

## ➤ *Revenue Factor*

$$\text{Revenue} \div \text{Total Number of FTE}$$

## ➤ *Time to fill*

$$\text{Total days elapsed to fill requisitions} \div \text{Number hired}$$

Sources: Robert Grossman, "Measuring Up," *HR Magazine*, January 2000, pp. 29–35; Peter V. Le Blanc, Paul Mulvey, and Jude T. Rich, "Improving the Return on Human Capital: New Metrics," *Compensation and Benefits Review*, January/February 2000, pp. 13–20; Thomas E. Murphy and Sourushe Zandvakili, "Data and Metrics-Driven Approach to Human Resource Practices: Using Customers, Employees, and Financial Metrics," *Human Resource Management* 39, no. 1 (Spring 2000), pp. 93–105; [*HR Planning*, Commerce Clearing House Incorporated, July 17, 1996;] *SHRM/EMA 2000 Cost Per Hire and Staffing Metrics Survey*; [www.shrm.org](http://www.shrm.org).

**Figure 1–5 (cont'd)**

# HR Metrics (cont'd)

## ➤ *Training Investment Factor*

Total training cost ÷ Headcount

## ➤ *Turnover Costs*

Cost to terminate + Cost per hire + Vacancy Cost + Learning curve loss

## ➤ *Turnover Rate*

[Number of separations during month ÷ Average number of employees during month] × 100

## ➤ *Workers' Compensation Cost per Employee*

Total WC cost for Year ÷ Average number of employees

Sources: Robert Grossman, "Measuring Up," *HR Magazine*, January 2000, pp. 29–35; Peter V. Le Blanc, Paul Mulvey, and Jude T. Rich, "Improving the Return on Human Capital: New Metrics," *Compensation and Benefits Review*, January/February 2000, pp. 13–20; Thomas E. Murphy and Sourushe Zandvakili, "Data and Metrics-Driven Approach to Human Resource Practices: Using Customers, Employees, and Financial Metrics," *Human Resource Management* 39, no. 1 (Spring 2000), pp. 93–105; [*HR Planning*, Commerce Clearing House Incorporated, July 17, 1996;] *SHRM/EMA 2000 Cost Per Hire and Staffing Metrics Survey*; [www.shrm.org](http://www.shrm.org).

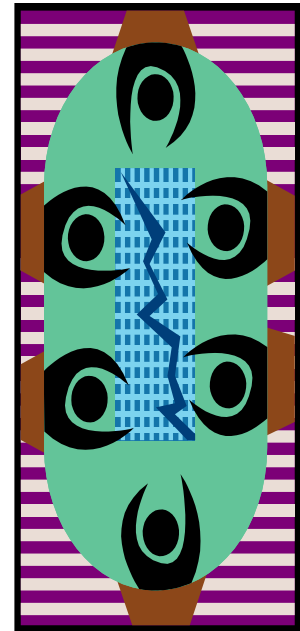
**Figure 1–5 (cont'd)**



# Measuring HR's Contribution

## ➤ *The HR Scorecard*

- Shows the quantitative standards, or “metrics” the firm uses to measure HR activities.
- Measures the employee behaviors resulting from these activities.
- Measures the strategically relevant organizational outcomes of those employee behaviors.



# Benefits of a High Performance Work System (HPWS)

- *Generate more job applicants*
- *Screen candidates more effectively*
- *Provide more and better training*
- *Link pay more explicitly to performance*
- *Provide a safer work environment*
- *Produce more qualified applicants per position*
- *More employees are hired based on validated selection tests*
- *Provide more hours of training for new employees*
- *Higher percentages of employees receiving regular performance appraisals.*

# The New HR Manager

## ➤ *New Proficiencies*

- HR proficiencies
- Business proficiencies
- Leadership proficiencies
- Learning proficiencies

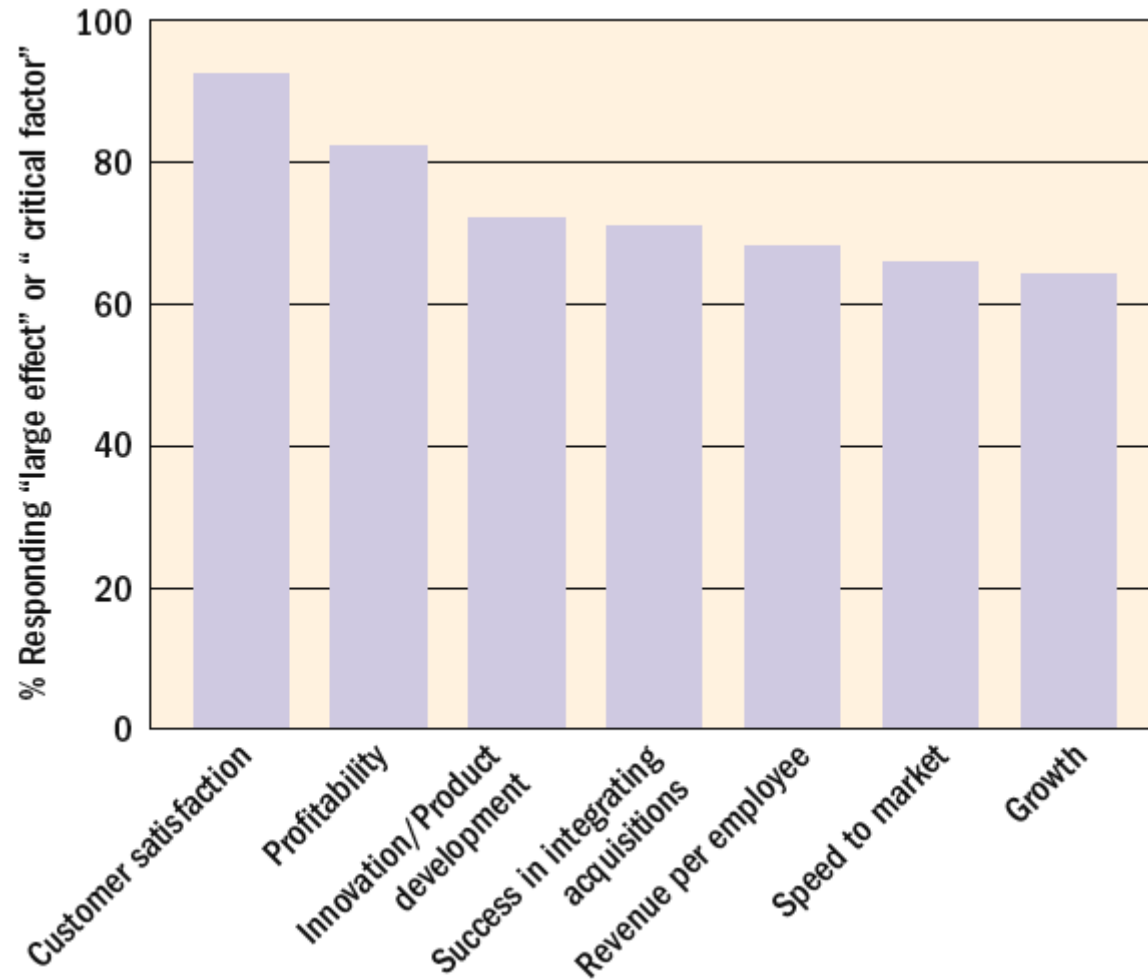


# The New HR Manager (cont'd)

- *The Need to “Know Your Employment Law”*
  - Equal employment laws
  - Occupational safety and health laws
  - Labor laws



# Effects CFOs Believe Human Capital Has on Business Outcomes



Source: Steven H. Bates, "Business Partners," *HR Magazine*, September 2003, p. 49

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**Figure 1–6**

# The New HR Manager

## ➤ *Ethics and HR*

- Ethical lapses (e.g., Enron, Martha Stewart)

## ➤ *Sarbanes-Oxley Act in 2003*

- Intended to curb erroneous corporate financial reporting:
  - Requires CEOs and CFOs to certify their companies' periodic financial reports.
  - Prohibits personal loans to executive officers and directors.
  - Requires CEOs and CFOs to reimburse their firms for bonuses and stock option profits if corporate financial statements subsequently require restating.

# HR Professional Certification

- *HR is becoming more professionalized.*
- *Society for Human Resource Management (SHRM)*
  - SHRM's Human Resource Certification Institute (HRCI)
    - SPHR (senior professional in HR)
    - PHR (professional in HR) certificate



# HR and Technology

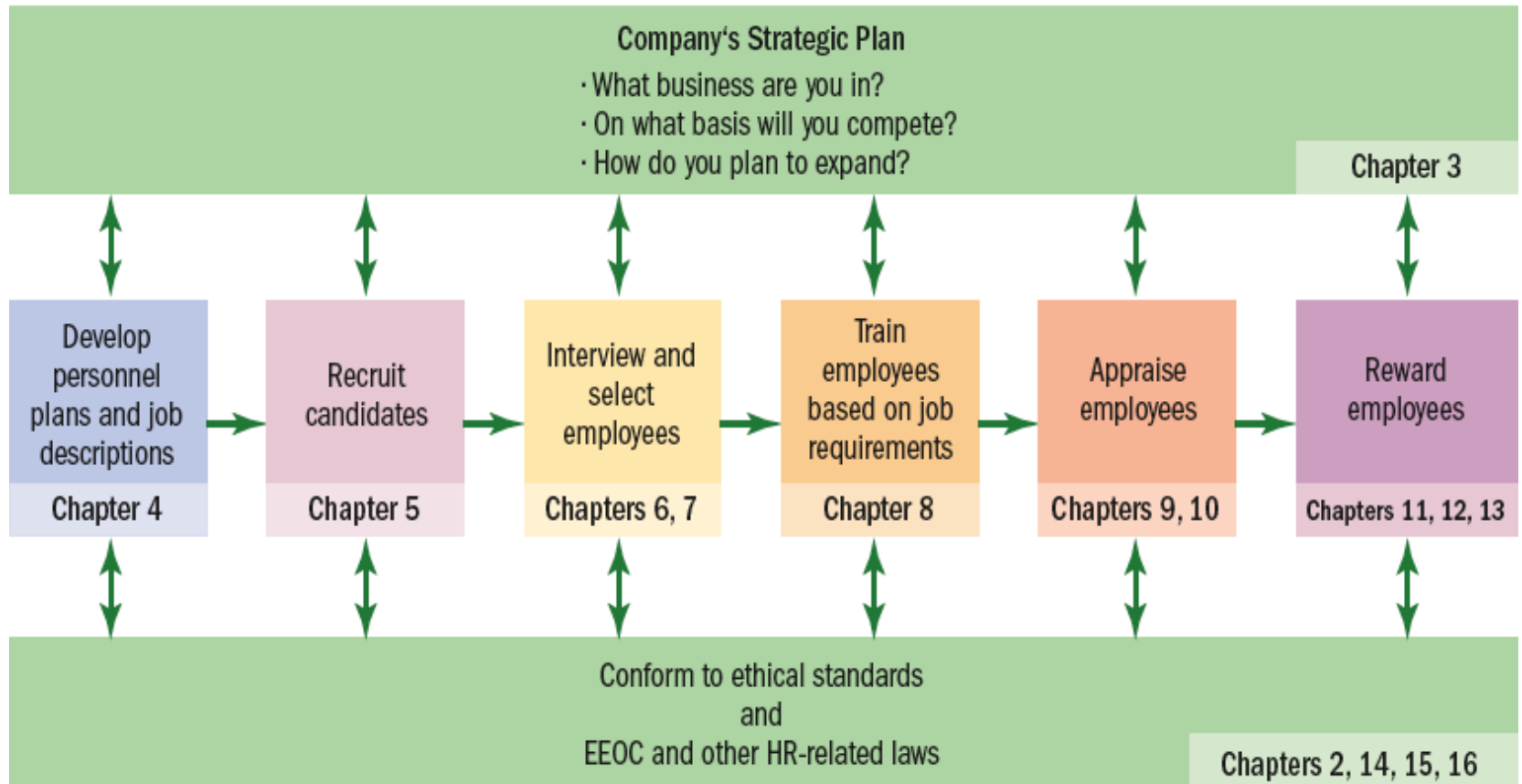
- *Benefits of technological applications for HR*
  - Intranet-based employee portals through which employees can self-service HR transactions.
  - The availability of centralized call centers staffed with HR specialists.
  - Increased efficiency of HR operations.
  - The development of data warehouse of HR-related information.
  - The ability to outsource HR activities to specialist service providers.



# The Plan of This Book: Basic Themes

- *HR management is the responsibility of every manager—not just those in the HR department.*
- *HR managers must always stand ready to defend their plans and contributions in measurable terms.*
- *An HR department's performance is measured relative to achieving the company's strategic aims.*
- *HR managers increasingly rely on IT to help support the company's strategic aims.*
- *Virtually every HR-related decision managers make has legal implications.*
- *Globalization and diversity are important HR issues today.*

# Strategy and the Basic HR Process



**Figure 1–8**

# KEY TERMS

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**management process**

**human resource  
management (HRM)**

**authority**

**line manager**

**staff manager**

**line authority**

**implied authority**

**functional control**

**employee advocacy**

**globalization**

**nontraditional workers**

**human capital**

**strategy**

**metrics**

**HR Scorecard**

**outsourcing**