CHAPTER TWELVE

Human Resource Management

INTRODUCTION

Oliver Wendell Holmes said that the “greatest tragedy … is the destruction of our human resources by our failure to fully utilize our abilities, which means that most men and women go to their graves with their music still in them.” The current chapter is about human resource management and how best to pull the “music” from organizational members. The Mainstream emphasis in human resource management (HRM) is on maximizing each individual’s “music” for the financial rewards it offers, whereas the Multistream emphasis recognizes the value of the “music” as an important outcome in and of itself, for the individual, the organization, and other stakeholders.

DETAILED LECTURE OUTLINE

I. Introduction to Human Resource Management
   A. Human resource management (HRM) involves developing, organizing, and administering the people systems of an organization
   B. Historical origins of HRM
      1. Socrates believed that the success of a society depended on:
         a) Identifying the roles or jobs that have to be performed and the personal aptitudes necessary to perform those jobs
            (1) Corresponds to job analysis and design
         b) Filling jobs with people who possess the relevant aptitudes
            (1) Corresponds to staffing
      2. Industrial Revolution in Europe and the Americas led to need for recruiting immigrants into agriculture and manufacturing jobs
      3. Wedgwood and other management pioneers developed HRM techniques of rewarding and training workers
      4. Formalized HRM techniques began in the early 1900s in the form of “personnel departments” in organizations like Ford and B.F. Goodrich
      5. Historically, HRM has been disparaged but has gained prominence as scholars and managers show the economic benefits and competitive advantage of HRM
   C. Four steps of “people management” that comprise HRM
      1. Identify what people need to do (job analysis and planning)
      2. Get the right people on board (staffing)
      3. Provide sufficient feedback and rewards (performance management)
      4. Prepare and develop people (training and development)

II. Mainstream HRM
   A. Mainstream HRM is guided by materialist-individualist values and aims to improve individual performance so as to achieve maximum productivity, profitability, and competitiveness
   B. Mainstream HRM and the “new employment contract” in which jobs are not secure and headcount must be managed as a way to cut costs
C. Four steps of Mainstream HRM

1. Step 1: Job analysis and planning
   a) Job analysis = an investigative process of gathering information about the tasks performed on a job and the knowledge, skills, abilities, and other characteristics (KSAOs) needed to perform the job
      (1) Job analysis is the foundation for much of HRM, aiding in the creation of a job description, performance evaluation, training needs, etc.
      (2) Mainstream job analysis emphasizes maximizing efficiency through task specialization and standardization
      (3) Methods of collecting job analysis information
         (a) Interviewing “subject matter experts” (SMEs) who have knowledge about the job
         (b) Observing the job being performed
         (c) Completing standardized surveys about the job (e.g., the Position Analysis Questionnaire (PAQ))
   b) HRM planning = a process drawing on job analysis and design to forecast the labor demands and needs and compare this with the available supply of individuals with the necessary KSAOs
      (1) Human Resource Information Systems (HRIS) help in HRM planning by identifying gaps between forecasted needs and available supplies
      (a) Contingent workers = people who fill gaps between needs and available resources by being contracted for a specific project or fixed time periods but not considered an employee of the host organization

2. Step 2: Staffing (recruitment and selection) is the process of identifying, attracting, hiring, and retaining people with the KSAOs needed to perform the jobs in the organization
   a) Recruitment is the process of identifying and attracting people with the desired KSAOs
      (1) Recruitment channels are used to funnel potential members into the selection process. Examples include
         (a) Newspaper ads
         (b) Relationships with universities, employment agencies, or current employees’ friends and families
         (c) Internet job postings or searching for applicants
      (2) Effective recruitment can reduce future turnover by giving applicants a realistic job preview (RJP) of what the job actually entails and the positives and negatives to working in the organization
   b) Selection is the process of choosing whom to hire among job applicants
      (1) Pool = the list of potential candidates an organization can choose from
      (2) Selection tools: selection begins with the job analysis in identifying the KSAOs necessary to perform the job and then finding selection tools that can identify those KSAOs in applicants
      (3) Selection validity = the extent to which a selection test measures the KSAOs it is intended to measure. Two ways of demonstrating validity:
         (a) Predictive validity = applicant scores correlate with actual job performance ratings
         (b) Content validity = the content of the selection tool maps onto the content of the KSAOs performed on the job
(4) **Selection reliability** = the ability of a tool to provide consistent measurements over time or across similar items or raters  
(a) Reliability is a necessary precondition of validity  
(5) **Examples of selection tools** (from low validities to high validities)  
(a) **Graphology** = hand-writing analysis to determine applicant characteristics (very low validity)  
(b) Application forms = the most common selection tool in which applicants state information about their education, prior jobs, etc.  
(c) Weighted application blank = type of application form in which questions are assigned different importance weights  
(d) Reference checks = contacting applicants’ former employers or other references to gather information about the applicants  
(e) Unstructured interviews = a conversation in which applicants respond to interviewer questions  
(f) Structured interviews = higher validity than unstructured interviews because the interview questions and scoring scales are consistent across applicants  
(g) Cognitive ability tests = measure general mental ability (high validity across jobs)  
(h) Work sample = test in which the applicant simulates actual job tasks  

**c) Staffing and legal issues**  
(1) Discrimination occurs when some applicants are not recruited or hired for reasons that are not relevant to the job  
(2) **Civil Rights Act Title VII** (1964) = U.S. law prohibiting discrimination in employment on the basis of race, religion, color, sex, or national origin  
(a) Equal Employment Opportunity Commission (EEOC) enforces discrimination laws  
(b) Bona fide occupational qualification (BFOQ): employers can hire certain individuals over others if there is a legitimate business necessity for certain characteristics  
(3) **Age Discrimination in Employment Act** (1967) = U.S. law prohibiting discrimination against workers 40 or older  
(4) **Vocational Rehabilitation Act** (1973) and **Americans with Disabilities Act** (1990) protect workers with disabilities from discrimination  

3. **Step 3: Performance management (performance appraisal and compensation)** refers to the HRM processes used to ensure that employees’ activities and outputs are aligned with organizational goals  
a) **Performance appraisal** is the process of specifying what performance is expected, assessing the performance, and providing feedback. Important considerations for effective performance appraisal include:  
(1) Clearly defined purposes, expectations, and previously agreed-upon criteria  
(a) Administrative appraisals are used to justify pay and promotion decisions  
(b) Developmental appraisals are used to provide feedback on progress and to identify areas for improvement  
(c) 360-degree feedback gathers ratings from the employee,
supervisor, co-workers, subordinates, clients, etc.

(2) Equip managers with skills for performance appraisal to avoid rater biases:
(a) Leniency = giving higher ratings than deserved
(b) Halo/horn effect = using one piece of known information – good or bad – to influence ratings of unknown information
(c) Representativeness error = stereotyping the employee based on one prominent trait or impression
(d) Availability = relying on memorable (dramatic or recent) impressions to make judgments
(e) Attribution error = attributing poor performance to a person without proper consideration for situational factors
(f) Anchoring and adjustment effects = failing to adjust a judgment from an initial impression (an anchor) even when faced with contrary evidence

(3) Equip managers with proper tools for performance appraisal
(a) Performance appraisal tools should include items rating relevant KSAOs, an assessment of progress toward goals, and an overall summary judgment or rating
(b) Graphic rating scales are measures that rate specific KSAOs or behaviors on a scale ranging from poor to outstanding or low to high
(c) Behaviorally anchored ranking scale (BARS) are a type of graphic rating scale that anchors each point on the rating scale to a specific behavioral example
(d) Management by Objectives programs often focus on rating goal progress

(4) Reinforce and review the appraisal process
b) Compensation includes monetary payments such as wages, salaries, and bonuses, as well as other goods or commodities used to reward organizational members
(1) Benefits are a subset of compensation that is typically not directly contingent on performance
(a) Cafeteria-style benefit plans allow members to choose their benefits within a certain dollar amount
(b) Benefits influence employee attraction and attrition and job satisfaction
(2) Job-based pay: employees receive rewards based on the jobs that they hold (variation may be due to experience or tenure)
(3) Merit-based pay: employees earn a permanent increase in compensation based on past performance as recognized in the performance appraisal
(4) Skill-based pays: employees get paid a base rate for doing their jobs and additional increments for acquiring skills valuable to the organization
(5) Pay-for-performance: links members’ pay directly to individual, group, or organizational performance
(a) Gain-sharing, profit sharing, commission, stock options
c) Labor unions are organizations that represent workers and deal with employers, typically to improve wages, benefits, and working conditions

4. Step 4: Training and development
a) Training refers to learning activities that improve skills or performance in a specific area or current position
(1) Orientation provides an introduction to the organization’s history, mission statement, key leaders, and policies
(2) On-the-job-training (OJT) occurs when experienced employees show new members how to do the job
   (a) Is the most common method of training and can be one of the fastest and most effective forms of training
(3) Other training methods include simulations, videos, and lectures
(4) Guidelines for effective training
   (a) Should be offered to people with the interest and aptitude for the training
   (b) Training content should be relevant to the job, and objectives should be reinforced before, during, and after training with multiple opportunities to practice the training content
   (c) There must be support for transferring and applying the training back in the work environment
   (d) Training evaluation should be conducted to assess the effectiveness of the training
b) Development consists of learning activities that result in broad growth and development for one’s career beyond the scope of the current job
   (1) Succession plan = identifying talented employees who have potential of succeeding in jobs of increased responsibility within the organization
   (2) Mentoring = clear direction, advice, support, and feedback given to junior managers from senior managers

III. Multistream HRM
   A. Emphasizes dignity and empowerment by considering all members as “partners” rather than as “human resources” or “commodities” to be used to maximize profits.
   B. Compared to Mainstream, Multistream HRM reflects the “old” type of employment contract in which employees and employers offer long-term loyalty to each other
   C. Four steps of Multistream HRM
      1. Step 1: Job analysis and planning
         a) Multistream job analysis focuses on the role of a job in the greater context of the group, department, and organization.
            (1) Gathers input from a wide array of stakeholders
         b) Multistream planning tends to be more transparent and inclusive than Mainstream and attempts to provide full and stable employment for members
      2. Step 2: Staffing
         a) Multistream managers might follow many Mainstream recruiting techniques and also be interested in:
            (1) Attracting members of marginalized groups (e.g., former drug addicts, people with disabilities)
            (2) Using employee referrals to empower employees and promote community
         b) Multistream selection tools emphasize criteria such as team performance, values, and organizational fit
            (1) Often involves other organizational members in the hiring process (e.g., teams are given authority to hire new team members)
      3. Step 3: Performance management
         a) Multistream performance appraisal emphasizes feedback as a means to stimulate growth and development, not just as a way to control behavior
and maximize profits
(1) Multistream performance appraisal tends to be delivered more frequently and informally than Mainstream
b) Multistream compensation tends to emphasize team-oriented KSAOs in rewarding individual performance or to forgo individual rewards in favor of team-based rewards
(1) Multistream managers frequently use nonfinancial rewards such as recognition
4. Step 4: Training and development
   a) Multistream emphasis on training as a meaningful end in and of itself, aside from any financial return
   b) Multistream managers are more likely than Mainstream managers to invest in and support long-term development of employees, even if the payoff to the organization is not readily apparent