©iStock.com/stanciuc

Introduction to Human Resource Management

Opening Case

HRM in Context: The Case of Chobani's Evolving HR Culture[1]

Hamdi Ulukaya, founder and CEO of Chobani, LLC, left his family dairy business in Turkey to learn English in the United States. Soon after he arrived, he noticed that the strained yogurt popular in Greece and Turkey, known for its rich flavor and high levels of protein, was not widely available in U.S. grocery stores. In 2005, that realization and Ulukaya's dairy background led him to take the opportunity to purchase a 100-year-old dairy plant in central New York state. He started out small. As he recalls, "I hired five people from the 55 [applicants], and those five are still with me." It took 2 years of work to perfect the yogurt recipe; the company's first order didn't ship until 2007. However, Chobani caught on quickly, with annual sales of $1 billion in 2012. That same year, Chobani opened its second plant. Today, Chobani is the best-selling Greek yogurt in the United States, employs over 2,000 people, and boasts the world's largest yogurt plant at its state-of-the art, million-square-foot location in Twin Falls, Idaho.

However, the company has experienced its share of highs and lows. In 2013, Ulukaya was named the Ernst & Young World Entrepreneur of the Year, but Chobani was plagued with a recall of some of the yogurt produced in its new plant. Chobani recovered and in 2015 had sales of $1.6 billion. Again, in 2016, Chobani and its founder were making headlines when Ulukaya surprised 2,000 full-time Chobani employees with shares worth 10% of the company, redeemable when Chobani is sold or goes public. Ulukaya tied the number of shares to the length of time an employee had been with Chobani so that the five original employees received the greatest number of shares. These shares come directly from Ulukaya, as he was the sole owner of the 100% independent company—a status that enabled him to create what he calls a "people-centered company." He said in a memo to employees that the shares were not just a gift. They were "a mutual promise to work together with a shared purpose and responsibility." In 2017, Chobani implemented a new paid parental leave policy offering 100% paid parental leave for 6 weeks for all full-time employees.

Along the way, Chobani's HRM system needed to evolve in response to the company's astronomical growth. How did Chobani's 30 full-time HR professionals help manage the 3,000 full- and part-time employees in Australia and the United States who make over 2.2 million cases of

LEARNING OBJECTIVES

After reading and studying this chapter, you should be able to do the following:

1.1 Define human resource management (HRM).

1.2 Articulate why HRM matters, giving concrete examples.

1.3 Explain the changing context of HRM and the developing role of analytics and technology.

1.4 Summarize the HRM profession.

DON EMMERT/AFP/Getty Images

Hamdi Ulukaya

yogurt each week? Craig Gomez, Chobani's former chief people officer, describes how his experience in HR at PepsiCo, GE, and Cisco helped him strike a balance between where Chobani's HR had grown organically and where it needed to go. Gomez's strategy was to find solutions to existing organizational "pain points." He and his HR colleagues realized that they couldn't do everything all at once. "We have picked items that add tremendous value and do not unduly burden the client with administrative headaches," Gomez says. He further notes, "I think, with all due respect to all of my peers in HR, a lot of times HR comes at an organization with a set playbook and they just lead with a set list of things they think that every organization should have instead of really listening to the client and really matching up what they deliver with what the specific client's points of pain are."

When it comes to insights, Chobani's HR team has had a few. For example, they developed orientation programs that new employees can view on a laptop. They also realized that even though they couldn't hire every person who applied to work at Chobani, it is important to treat applicants with respect. Gomez explained, "We want to bring the same level of sensitivity to job applicants as we do to consumers." As you will see in this textbook, these are HR insights that are backed up by research studies on the topics. As for Chobani, it is clear that HR is a partner in helping the business grow and generate solutions.

An important point in this case is the fact that organizations evolve. You will see examples throughout this book of small start-up companies, governmental agencies, and not-for-profit organizations as well as small, medium, and large organizations, including Fortune 500 companies. If you examine the histories of organizations, you can begin to see a pattern where today's large corporations often began as small start-ups employing just a handful of individuals. The HRM needs of start-up organizations certainly differ from those of large Fortune 500 companies, but the principles of HRM remain the same. Beginning with solid, tested HRM practices and ethical guidelines makes it much easier for organizations to stay effective as they grow.

Case Discussion Questions

1. Chobani has grown a great deal since its founding in 2005. How do you think growth has influenced its HR practices beyond what is mentioned in this case? Please share specific insights.

2. Craig Gomez, Chobani's former chief people officer, makes a strong case for HR being in the business of solving problems for the organization. Do you agree with this position? Why or why not?

3. Why do you think that Chobani's founder, Hamdi Ulukaya, gave away 10% of his company to his current full-time employees? Do you think this is a wise idea or a foolish one? Why?

4. Do you consider Chobani's policy of offering 6 weeks of paid parental leave to all full-time employees a waste of money or a wise investment? Why? Be prepared to defend your response.

▶ Click to learn more …

View Hamdi Ulukaya's story at https://youtu.be/578FODRPRa0

uman resource management (HRM) is defined as the constellation of decisions and actions associated with managing individuals throughout the employee lifecycle to maximize employee and organizational effectiveness. HRM relates to all aspects of organizational life. The first chapter of this book gives you an overview of what HRM is and why it is important.

Human resource management (HRM) The decisions and actions associated with managing individuals throughout the employee life cycle to maximize employee and organization effectiveness

What Is Human Resource Management?

This textbook provides an introduction to the field of human resource management (HRM). This includes what HRM is, the evolving context and landscape of HRM, best practices, and some of the issues and controversies associated with HRM today. We suspect that, unlike some other areas of study in business, HRM is a subject you already know a great deal about even before reading this book or taking this class. For example, if you have ever filled out a job application or been interviewed for a job, you have been exposed to a major function within HRM called *selection*. Even if you have never applied for a job, you have still interacted with thousands of people who have. Every teacher you have had in the classroom and every customer service interaction you have encountered was the result of HRM in some way or another: Teachers and customer service specialists are hired, trained, paid, and managed via their organization's HRM system. Interactions such as these may have given you some preconceived notions of what HRM is all about. This is a great thing because it means you can jump right in and start participating and discussing the material. But we suspect, as you progress through this book, you will also find yourself seeing the strategic value of HRM practices and why HRM is a key factor in organizational success regardless of the area of business that you intend to focus on in your own career. That is why we set out to write this book.

The world of HRM is changing in new and innovative ways. Much like the *Industrial Revolution* of the mid-1800s, where machines changed the way that manufacturing work was done, we are currently in the midst of a *knowledge revolution*. Never before in history has it been easier to access information, connect globally, and manage employees remotely. We discuss the implications of this recent shift in this chapter, and it is integrated throughout the book. Chapter 2 specifically addresses how this knowledge revolution has created exciting opportunities for HRM to become invaluable within organizations in a variety of ways, including informing managers with best practices and data to aid decision making throughout the organization. As valued business partners, HRM specialists and generalists can span the range of activities from following procedures to creating and testing hypotheses regarding the most effective ways to manage employees. It is clear that there is a lot to learn, so let us get started with addressing the basic question of what HRM is exactly, who is involved, and where HR is located within organizations.

Human resource management refers to the constellation of decisions and actions associated with managing individuals throughout the employee life cycle to maximize employee and organizational effectiveness in attaining goals. This includes functions that range from analyzing and designing jobs; managing diversity and complying with local, national, and global employee laws; recruiting individuals to apply for jobs; selecting individuals to join organizations; training and developing people while they are employed; helping to manage their performance; rewarding and compensating employee performance while maintaining healthy labor relations and helping to keep them safe; as well as managing their exit, or departure, from the organization.

LO 1.1 Define human resource management (HRM).

©iStock.com/sturti

If you have ever applied for a job and had an interview, you have experienced HRM in action.

Ultimately, HRM is about making decisions about people. This decision-making process involves many questions that those within an organization must ask and answer. Over time, the answers may change as the firm experiences growth or decline, external factors change, or the organizational culture evolves. For example, those involved in HRM need to address questions such as these:

- What type of employees do we need to hire?
- Where will we find the best and most diverse employees?
- How do we manage diversity to maximize its benefits and minimize group conflicts?

- How should we select the people who will join our company?
- How can we help them be safe and experience well-being at work?
- How should we motivate and reward employees to be effective, innovative, and loyal?
- What benefits would our employees find the most attractive?
- What training do our employees need, and how can we further develop them?
- How can we help to ensure that employment relations between employees and managers remain healthy and include healthy feedback and voice from both sides?
- What can we do to ensure that employees engage in ethical decision making and behaviors?
- What do we need to do to remain competitive locally and globally?
- Why are employees leaving, and what can we learn from their exits?

All of these questions and more are part of managing the HRM system of decisions and actions associated with managing individuals throughout the employee life cycle (see Figure 1.1) from the hiring stage through the exit of an employee through voluntary or involuntary turnover.

Viewing HRM from a decision-making perspective has important implications for the success of employees and organizations. First, HRM systems can help overcome ***biases***—types of favoritism or prejudice—that can be inherent in organizational decisions. A preponderance of evidence indicates that individuals have biases, often unconscious, when engaging in decision making. Each of these biases represents a shortcut to making decisions. Based on years of experience, each of us has developed the ability to sort through copious amounts of information to arrive at decisions. Some are small, and we hardly ever give them a thought, but those can be dangerous decisions because biases such as availability, anchoring, or confirmation can influence the outcome unconsciously. Other choices, such as whether to hire one of three candidates, also have consequences.
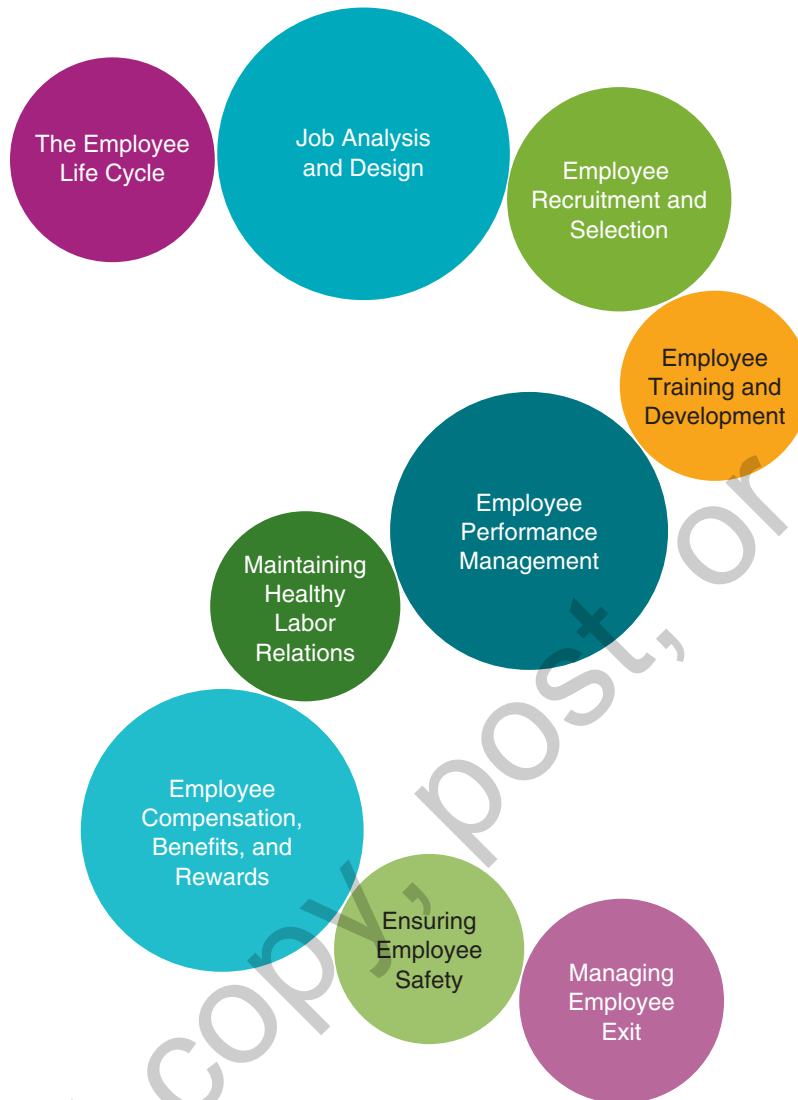
For example, consider the ***availability bias***, which is the tendency to rely more on information that is readily available to us, and thus we discount alternative information. To the degree that the information relating to the job candidates is subjective, such as when interviews are used, our past experiences will influence us to a greater degree, and bias can creep into the process. The bias might be subtle, such as your recollection that

Biases A tendency, feeling, or opinion, especially one that is preconceived, unreasoned, and unsupported by evidence

Availability bias The tendency to rely more on information that is more readily available than alternative information

FIGURE 1.1 The Employee Life Cycle

A critical aspect of HRM is managing key aspects of work throughout the entire employee life cycle.

The Employee Life Cycle

Job Analysis and Design

Employee Recruitment and Selection

Employee Training and Development

Employee Performance Management

Maintaining Healthy Labor Relations

Employee Compensation, Benefits, and Rewards

Ensuring Employee Safety

Managing Employee Exit

the last employee you hired from State University has done a great job. This might lead you to lean toward the one candidate on your short list from this same school. But is this a reasonable thing, given that State University graduates 8,000 students per year and the other two candidates graduated from schools from which your company has employed dozens of successful candidates? It probably is not. To avoid this as well as the other types of biases, take concrete steps, including recognizing that such biases exist; taking the other side of your argument, including others in the decision making; assigning a devil's advocate; and considering the consequences of a suboptimal hire. In other words, one of the functions of HRM is to be aware of and design systems that prevent systemic biases from exerting undue influence over decision making, resulting in better decisions. *Anchoring bias*, the tendency to rely too much on the first piece of information given, can

Anchoring bias The tendency when making a judgment to rely on the first piece of information that one receives

MANAGER'S TOOLBOX

Am I Making a Good Decision?

Making decisions is not easy. Research shows that only about 50% of all decisions made within organizations are successful.[2] However, to help you understand whether a particular decision has the hallmarks of success, it makes sense to consider the following key characteristics. Doing so won't guarantee success, but it can help you develop more robust decision-making criteria that help to meet the needs of the entire organization rather than just solving a problem today that may create a larger problem tomorrow.

Ask yourself these questions:

- *Is this course of action legal? Is it ethical? Is it fair?* Just being legal is a good first step, but it is not enough. How would you feel if your course of action were shared on the Internet or on the front page of your local newspaper? If the answer is "not so great," that's an indication that the course of action you are considering may be legal but may not be ethical or fair.

- *Is this decision based on evidence and data?* While decisions should not be made solely based on prior evidence and relevant data, they should consider both and try to leverage what is possible to know to rule out alternative courses of action.

- *Will pursuing this course of action help to make the organization healthier?* It is easy to make decisions and pursue courses of action in isolation from the larger organization. However, doing so can create problems. Stopping to consider whether you are doing something that is likely to help or hinder positive employee–employer relations is helpful in avoiding problems down the line.

- *Is this course of action time and resource efficient?* If the course of action you are considering is not time or resource efficient, it is not likely to be sustainable over time. This can lead to resource constraints, including employee energy and burnout as well as financial constraints.

- *Does this course of action take a systematic perspective and consider various stakeholders?* You might have all the information necessary to make a good decision. But you might not. And even if you do have the relevant information, including stakeholders in the decision-making process is a helpful way of securing acceptance of a decision. Thus, skipping this step will most likely lead to less effective decisions in the long run.
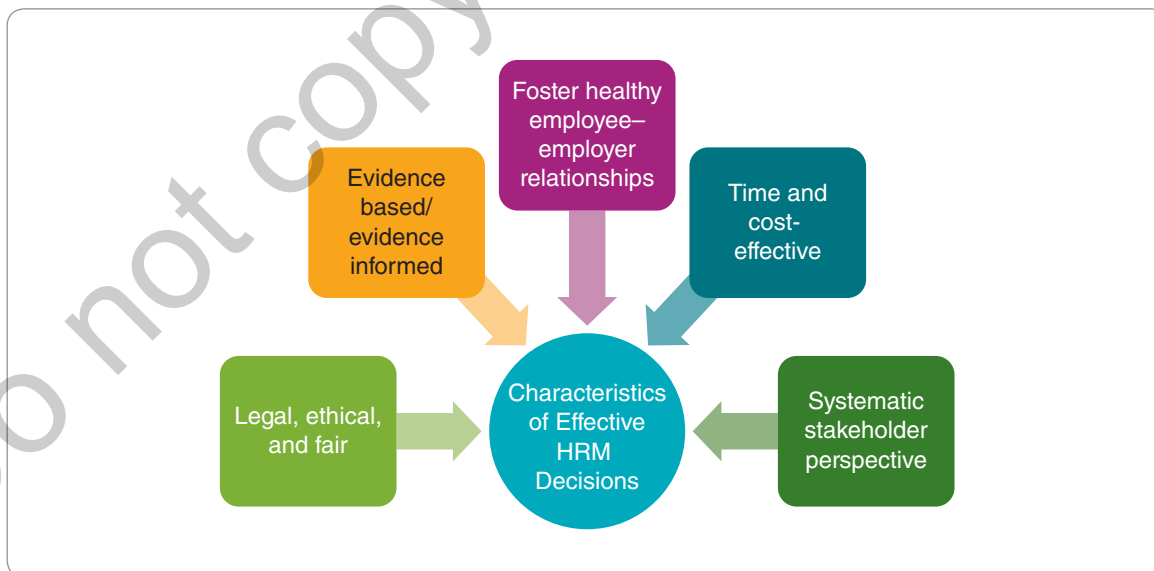
be just as dangerous, as your decision can be influenced simply by the way others present information. Finally, *overconfidence bias*, the tendency to seek confirmation of one's own beliefs or expectations, can shortcut the exploration of a full range of options. All of these biases can hurt the quality of decisions made.

> **Overconfidence bias** The tendency for an individual to be more confident in their own beliefs than reality would suggest

Another important implication for approaching HRM as a set of decision-making activities is to address the core issue of what makes a good decision. Manager's Toolbox details the hallmarks of a good decision.

Why HRM Matters

> **LO 1.2** Articulate why HRM matters, giving concrete examples.

You might be taking this class because it is required at your school even if you are not an HRM major. Regardless of your major, HR is valuable for you and your career. For example, knowing about HR policies and practices is important because as a manager or future manager, you will be required to make employee-related decisions. You might be involved in recruiting and hiring employees, and in fact, you will be on the front line of the hiring process. You may play an important role in managing the performance of employees and allocating rewards. You may need to discipline employees or manage their exit. Your decisions, actions, and inactions will be used to assess compliance with the law. Therefore, much of the information included in this book is relevant as you build your managerial skills. For any HR practice to be implemented effectively, HR and line managers will need to be partners. This involves each party understanding the rationale behind each practice, line managers remaining true to the spirit of the system in place and giving feedback to HR, and HR departments designing systems that meet the needs of line managers. Moreover, if you end up working in an area outside of HR, such as accounting or marketing, you will still be a consumer of the HR systems and services available at your organization. For example, your department may require a new training program, and thus, it will be essential to partner with the HR department to design and implement the new training program. As such, it is important to understand how HR systems and services work. In short, even if you have no interest in working in HR, learning about HRM will be a good investment of your time.

People Matter

It is well documented that the individuals who work within an organization matter when it comes to what an organization is like as a place to work and what it is able to do. Individuals influence its culture, informal rules, how hard individuals work, how they should treat one another, how much risk employees should take, as well as what is considered acceptable in terms of performance and ethics. Influence happens through who is attracted to join the organization, who is selected to join the organization, and who decides to remain or leave the organization. Benjamin Schneider called this the *A-S-A framework*, standing for attraction-selection-attrition in organizations. In other words, organizations vary in terms of the human capital they have access to based on whom they attract, hire, and retain. *Human capital* refers to the knowledge, skills, and abilities, as well as other characteristics (KSAOs) embodied in people.[3] As you saw in the opening case on Chobani, human capital might refer to the KSAOs of a handful of people when a company is starting out to thousands of employees if the organization grows. Clearly, the human capital needs change over time as well. Chobani did not have a formal HRM department when it started out, and it continued to be quite successful. However, as it grew, the decision to shift toward less outsourcing of HRM and more in-house HRM functions was made.

> **A-S-A framework** The process of attraction, selection, and attrition that defines an organization's culture

HR IN ACTION
Costco

Barry Sweet/Bloomberg via Getty Images

Former Costco president and CEO James Sinegal is pictured in one of the company's stores near its headquarters in Issaquah, Washington.

Costco is known as a desirable employer, in part, because it pays an average of $21 per hour to employees in retail environments where $10.50 is closer to the average hourly pay. Costco also covers 90% of health insurance expenses for both full-time and part-time employees, which is rare. James Sinegal, former CEO of Costco, is quoted as saying, "When employees are happy, they are your very best ambassadors." Although HR at Costco is not directly run by its CEO, you can imagine how such a strong set of values at the executive level influences all HR practices at Costco. These values, together with the facts that Costco promotes from within, encourages and listens to employee suggestions, and gives managers autonomy to experiment with their departments and stores with an eye toward increasing sales and/or reducing costs (as long as products are never marked up more than 15%), and the fact that he made a modest salary as CEO, are among the reasons why Sinegal was named one of the 100 Most Influential People in Business Ethics in 2008. As a founder and CEO, he made a big profit for the company while putting people first, so it is hard to argue with his success. Although Costco pays considerably more than the industry average, including bonuses and other incentives, its revenues and stock price continue to grow. In fact, the value of Costco stock from 1985 until Sinegal's retirement in 2012 increased by 5,000%. The next CEO, W. Craig Jelinek, continued this trend. In 2015, Costco's stock rose more than 15% under his leadership, and he was named CEO of the Year by CNN. Costco's stock price has continued to be strong in subsequent years.[4]

Richard Branson, founder of the Virgin Group, famously said, "Take care of your employees, and they'll take care of your business."[5] He argues that creating a great place to work involves a work climate where people are appreciated, engaged in their work, productive, and thriving rather than simply surviving. Research supports this idea, showing that large percentages of disengaged employees (68% to 70% of survey respondents) cost U.S. businesses up to $550 billion per year in lost productivity.[6] Disengaged employees also have 49% more accidents on the job and 60% more errors in their work, and their companies have a 65% lower share price over time than those with more engaged employees.[7] Organizations increasingly understand that treating individuals isn't just about "being nice" to them; it is a win-win, as those employees who feel valued also tend to be more engaged and productive. And we know that organizations that value their employees are more profitable than those that do not.[8]

If employing people who are valued, highly supported, and engaged at work promotes company success, why don't all organizations create such cultures? That is a great question. The answer is complex, but reasons include not understanding or believing the connection between organizational culture and success and not knowing how to create this connection.

Organizational Culture Matters

Organizational culture refers to shared, "taken-for-granted" assumptions that members of an organization have that affect the way they act, think, and perceive their environment.[9] Because of this, organizational culture influences how decisions are made within organizations, and it is also influenced by those decisions. For example, if being polite is highly valued within an organization,
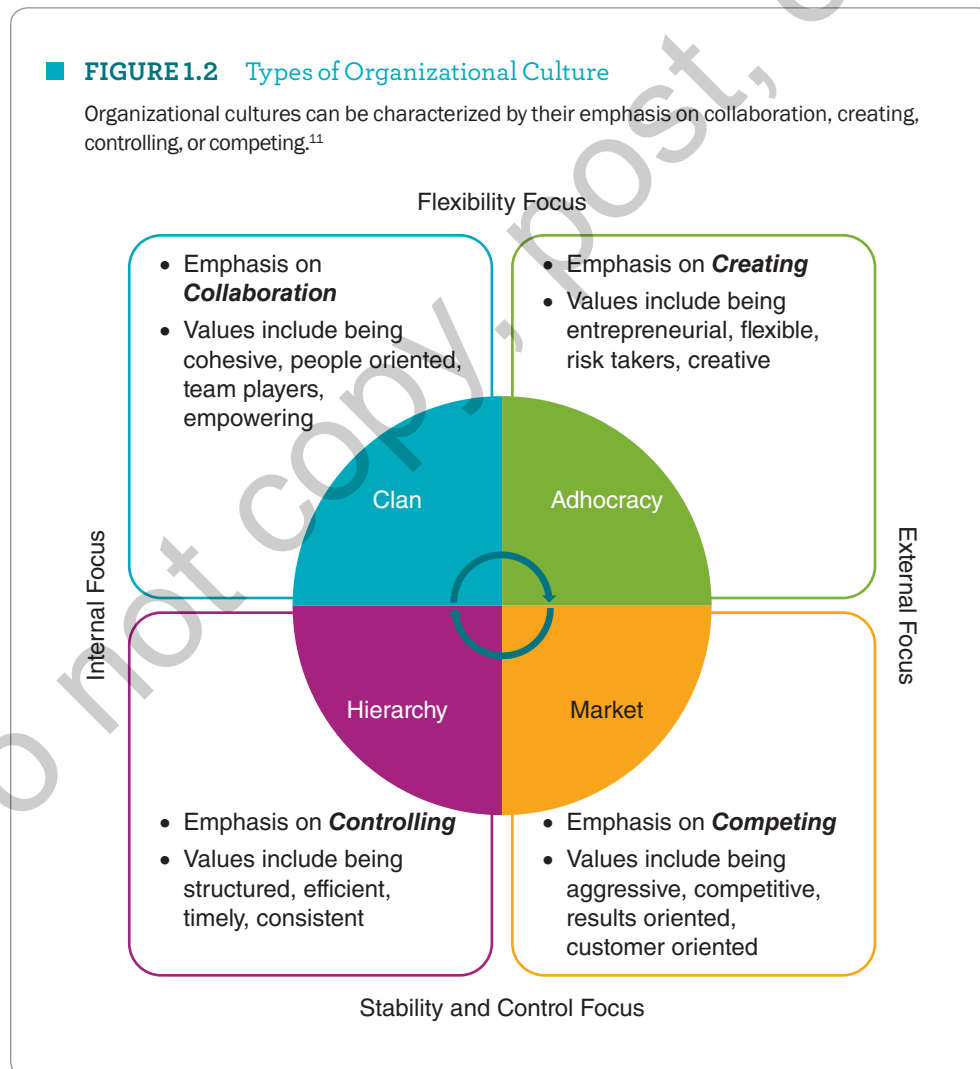
Organizational culture
Assumptions shared by organization members, which affect their actions, thoughts, and perceptions

the approach taken when giving performance feedback would be much different than in an organization that values directness. During the initial pilot of a managerial training program, which involved a simulation and role play conducted with employees at Hewlett Packard in the 1990s, the entire role play had to be rewritten when the participants insisted that the role of an employee who argues with their manager vigorously just would never happen. As participants explained, they didn't know how to react to this because it was so far out of the norm of their business. Since that time, HP's culture has evolved to be more in line with other cultures, which are more direct and aggressive. However, this is a useful reminder of how powerful cultures can be. Thus, it makes sense to take some time to understand the different types of organizational cultures that exist within organizations.

Types of Organizational Culture

One popular typology of organizational cultures, called the Competing Values Framework, characterizes them by their emphasis on collaboration, creating, controlling, or competing (see Figure 1.2).[10] In the Competing Values Framework, *clan cultures* are collaboration oriented and are characterized by valuing being cohesive, people oriented, team players, and empowering employees. Based on our understanding of Chobani from the opening case, it appears to be consistent with a clan culture. Other examples of organizations that can be seen

Clan culture Organizations with clan cultures are collaboration and people oriented and value cohesion, employee empowerment, and team players

■ **FIGURE 1.2**   Types of Organizational Culture

Organizational cultures can be characterized by their emphasis on collaboration, creating, controlling, or competing.[11]

Flexibility Focus

- Emphasis on *Collaboration*
- Values include being cohesive, people oriented, team players, empowering

- Emphasis on *Creating*
- Values include being entrepreneurial, flexible, risk takers, creative

Clan   Adhocracy

Internal Focus   External Focus

Hierarchy   Market

- Emphasis on *Controlling*
- Values include being structured, efficient, timely, consistent

- Emphasis on *Competing*
- Values include being aggressive, competitive, results oriented, customer oriented

Stability and Control Focus

Adhocracy culture
Organizations with adhocracy cultures are creation-focused and emphasize entrepreneurship, flexibility, risk taking, and creativity

Market culture Organizations with market cultures are characterized by competition and as being aggressive, competitive, and customer oriented

Hierarchy culture
Organizations with hierarchy cultures focus on control and value being efficient, timely, and consistent

as having clan cultures are Costco, Southwest Airlines Company, and SAS Institute. *Adhocracy cultures* focus on creating and emphasize being entrepreneurial, flexible, taking risks, and being creative. Examples of adhocracy cultures are 3M, Google, and Facebook. *Market cultures* are characterized by competition and value being aggressive, competitive, and customer oriented. Examples of companies showing signs of a market culture are Amazon, Intel, and Netflix. *Hierarchy cultures* focus on controlling and value being efficient, timely, and consistent. Organizations such as Walmart and Boeing are examples of this type of culture.

How HRM Affects Organizational Culture

There is no one type of culture that leads to success and happy employees. The examples given for different cultures are all successful businesses in their industries. However, it is important to remember that there is a close connection between company culture and HR practices adopted, and in turn, the HR practices adopted will influence and shape the culture into the future. Company HR practices are often a reflection of company culture. For example, Marriott developed an online recruiting platform called "My Marriott Hotel" where candidates manage different areas of the hotel's operations, where they lose or gain points for customer satisfaction and profitability. Such a recruitment tool reflects the company's values, such as being results and customer oriented.[12] You would not expect to see such a system in place in a company that emphasizes efficient and cost-effective hiring to fill specific positions.

Similarly, the HR practices in use will shape a company's culture. For example, imagine a company that adopts a performance review system that involves ranking employees on a bell curve and distributing rewards accordingly, such as Yahoo's adoption of such a system in 2013. Requiring managers to compare employees with each other will shape the culture of the company toward a market culture, as survival in such a system will require competition among employees. Therefore, effective HR decisions will need to consider the implications of every decision for the culture the company has and the culture the company would like to have.

LO 1.3   Explain the changing context of HRM and the developing role of analytics and technology.

The Changing Context of HRM

Human resource management does not exist in a vacuum. Companies have gone from personnel departments exclusively using paper forms and tracking benefits to HR becoming a strategic partner in organizational decisions. Because of this, as the world and the fundamental characteristics of work continue to evolve, so must human resource management. This section outlines a number of these important changes in the contextual landscape that have major implications for HRM. These include changing demographics, the emerging gig economy, increased globalization, technology, the availability of data, and the ongoing and rising importance of ethics and corporate social responsibility (see Figure 1.3).

Changing Demographics

One of the largest impacts on HRM is that of the increasingly changing demographics of individuals in the United States and around the world (see Figure 1.4). Changes include the aging population and increasing demographic diversity. Given how prevalent this topic is, you are probably aware that the American workforce is aging. By 2030, 20% or more of those in the United States are projected to be aged 65 or older, which is more than double the percentage in 1970.[13] This represents a major shift in the working population, as nearly 75 million baby boomers (those born between 1946 and 1964) are expected to retire in the next 25 years, with only 46 million new workers from later generations joining the organizational ranks. More recently, however, we are also seeing greater numbers of non-U.S.-born entrants into the American workforce, which is helping to fill the labor gap.

■ **FIGURE 1.3** The Changing Context of HRM

Forces shaping human resource management continue to evolve.

Changing Demographics	Emerging Gig Economy	Increasing Globalization

Technology	Availability of Data	Ethical and CSR Challenges

Source: Photos via Shutterstock.

Whereas the aging workforce is a key demographic shift, increasing diversity in the workplace is also an aspect of the changing demographic landscape, which has implications for HRM. For example, race is an area where we still see challenges with equal pay for equal work. Research finds that ethnic subgroups experience both an earnings gap and a glass ceiling. In 2015, for every dollar a Caucasian male employee made, Asian males made $1.20, whereas African American males made around 76 cents, and Hispanic employees made 69 cents.[14] In 2018, only three Fortune 500 companies (Merck & Co, Inc., JCPenney's, and TIAA) are run by African American chairpersons and CEOs. It is interesting that although, as a group, ethnic subgroups face challenges in terms of pay and promotion, the demographic trends are such that by 2055, Caucasians are estimated to constitute less than one half of the population in the United States.[15] This demographic shift has already taken place in some parts of the United States, such as the Los Angeles area, where only 29% of the population is Caucasian, non-Hispanic.[16]

Such core changes in who is available to work has major implications for how to recruit, select, train, reward, and manage the workforce. Given that HRM is responsible for these functions, being aware of the changes as well as their associated challenges and opportunities is essential for organizations to remain competitive.
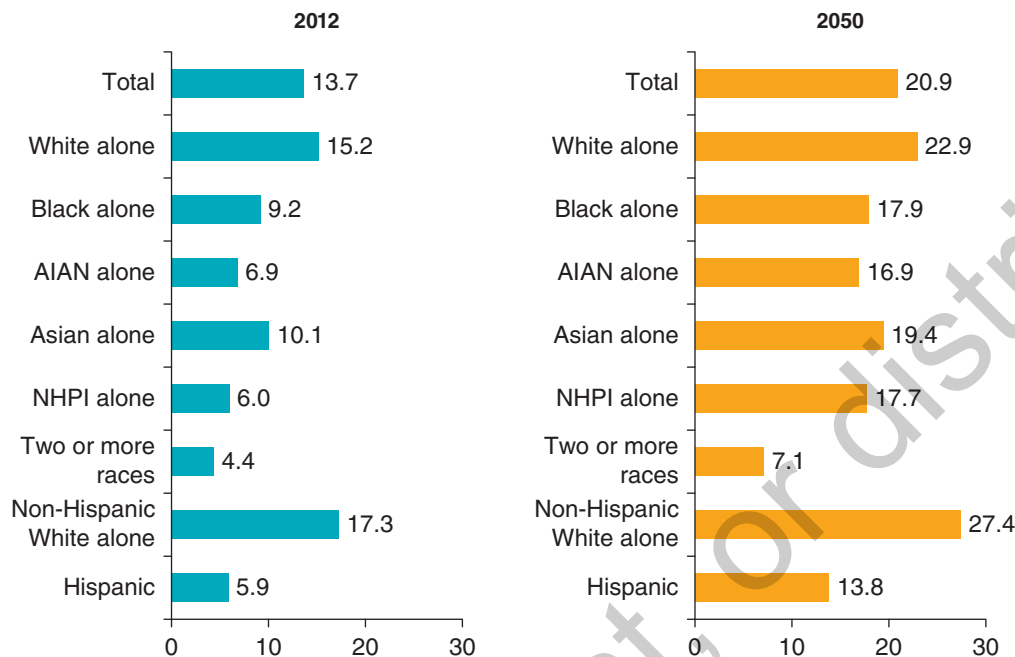
Emergence of the Gig Economy

A *gig economy* is characterized by the prevalence of temporary employment positions, and individuals are employed as independent workers rather than actual employees of an organization. And a *gig* is defined as a single project or task that a worker is hired to do on demand. Think of

Gig economy The prevalence of temporary employment positions, where individuals are employed as independent workers instead of actual employees of an organization

Gig A single project or task that a worker is hired to do on demand

■ **FIGURE 1.4**   Percent Aged 65 and Over by Race and Hispanic Origin for the United States: 2012 and 2050 (percent of each group's total population)

The distribution of U.S. population continues to change, which has implications for HR.

2012

Group	Percent
Total	13.7
White alone	15.2
Black alone	9.2
AIAN alone	6.9
Asian alone	10.1
NHPI alone	6.0
Two or more races	4.4
Non-Hispanic White alone	17.3
Hispanic	5.9

2050

Group	Percent
Total	20.9
White alone	22.9
Black alone	17.9
AIAN alone	16.9
Asian alone	19.4
NHPI alone	17.7
Two or more races	7.1
Non-Hispanic White alone	27.4
Hispanic	13.8

Sources: U.S. Census Bureau, 2012 Population Estimates and 2012 National Projections; Ortman, J. M., Velkoff, V. A., & Hogan, H. (2014). An aging nation: The older population in the United States. U.S. Department of Commerce. Retrieved August 2, 2018, from https://www.census.gov/prod/2014pubs/p25-1140.pdf

Notes: AIAN = American Indian and Alaska Native. NHPI = Native Hawaiian and Other Pacific Islander.

Uber drivers or substitute teachers. In 2018, of the 161 million employed in the United States, nearly 21 million (or 13%) reported working part-time jobs for noneconomic reasons.[17] A survey found that 75% of full-time and 68% of part-time freelance employees noted scheduling flexibility as a key reason for their attraction to freelance work.[18] Other positives reported are variety and the ability to pursue one's interests. Reported downsides include inconsistency in pay and scheduling and the lack of benefits associated with this type of employment contract. As the U.S. Department of Labor noted about the gig economy, "These workers often get individual gigs using a website or mobile app that helps to match them with customers. Some gigs may be brief. . . . Others are much longer but still of limited duration, such as an 18-month database management project. When one gig is over, workers who earn a steady income this way must find another. And sometimes, that means juggling multiple jobs at once."[19] Some occupations are more likely than others to employ contract workers. Arts and design, computer and information technology, construction and extraction, media and communications, as well as transportation and material moving are industry sectors at the top of the list for contract work. The implications of the emerging gig economy are vast. Because this class of employment is so relatively new, the legal environment has not yet kept up, and it remains an area that is unclear.

Globalization

U.S.-based businesses recognize the importance of international business and international presence. India and China are the fastest growing economies, each of them being home to around 18% of the world's population. Major U.S. businesses are realizing that a big portion of their revenues

SPOTLIGHT ON GLOBAL ISSUES

Labor Laws Diverge Globally

A key aspect to global HRM success is to recognize that beyond cultural differences, different countries have fundamentally different approaches to work that may be instituted into labor laws. For example, France is a country known for having strong protections for workers. Within France, the workweek is limited to 35 hours, and employees have the "right to disconnect," or have the right to hours during which they are not required to check or answer e-mail. Another example is the General Data Protection Regulation (GDPR), which took effect in 2018 and mandates that the European Union's (EU) 500 million citizens have specific data privacy rights and that companies with

a presence in the EU must adhere to the rules or face stiff fines. In Sweden, while legislation requires boards of directors to have at least 40% of board seats filled by women, it is strongly encouraged that they strive for gender balance. These are just a few examples of how fundamental HRM policies may differ in terms of defining the workweek, contact outside of working hours, how data may be collected and reported, and the composition of governing entities. Thus, it is clear that organizations interested in working on a global scale need to pay close attention to HRM and develop their own strategic plan for addressing both organizational and national rules, guidelines, and policies.[20]

come from overseas. For example, Intel receives 82% of its revenue from overseas. For Qualcomm, this ratio is over 98%. Half the revenue of Dow Chemical, Exxon Mobil, Apple, and Johnson & Johnson comes from overseas.[21] If you are not convinced that international business is here to stay, consider these iconic, everyday brands: Budweiser, 7-Eleven, Holiday Inn, Shell, and T-Mobile. All of these are foreign-owned. Globalization of business introduces a number of HRM challenges. Businesses recruit and hire employees from a more diverse pool of applicants given the realities of global mobility of potential employees. Businesses will need to consider the local laws and regulations in the different operations they run. It is also important to consider the role of cultural differences in the use of different HRM practices around the world. It is tempting to transport best practices developed in corporate headquarters, but such efforts, without sensitivity to the local culture, are often doomed to fail. As a result, in companies operating worldwide, effective HRM takes into account local differences in local laws and norms to create an effective global organization.

Technology

Technology has been evolving at a rapid pace. A key reason behind this can be explained via Moore's Law, put forth in 1965, which states the capacity of computer chips would double roughly every 2 years at around the same cost. George E. Moore was the cofounder of Intel Corporation. As part of its 50-year celebration of Moore's Law, Intel calculated that if fuel efficiency were to improve at the same rate as the law over 50 years, a person could drive their car for a lifetime on a single tank of gas.[22] Moore's Law is important to HRM because it illustrates how rapidly technology will continue to evolve as the cost and availability of processing power becomes increasingly accessible. This aligns with the increasing rate of technology's impact on HRM processes and procedures. As you will see throughout this book—and especially in Chapter 3—technology matters a great deal when it comes to HRM.

Availability of Data

It may seem like everyone is talking about big data. We discuss this in greater detail in the next two chapters, but for now, it is helpful to know that *big data* refers to data that are large in volume, variety, and velocity. Technology has allowed for greater and greater computing power, and the Internet has generated so much data that recent estimates are that Amazon, Facebook, Google, and Microsoft stored at least 1,200 petabytes among them in 2013 alone. A petabyte is 1 million

SPOTLIGHT ON DATA AND ANALYTICS

Descriptive, Predictive, and Prescriptive Analytics

A survey of business leaders conducted by Deloitte found that concerns exist regarding the gap between the perceived need for data-driven approaches to HR and the existing skill base. Of the companies surveyed, 75% reported a belief that HR analytics is important, but just 8% reported a belief that their own organization is strong in this area.[23] A SHRM Foundation report on analytics found that two key skills are lacking: analytics skills and the ability to present findings in a convincing way to senior executives.[24] However, as more organizations such as Pfizer, AOL, and Facebook continue to focus on analytics, we suspect that other organizations will continue to follow suit.

As you consider how analytics in general and HR analytics in particular may play a role in your future, keep in mind these different levels of analytics: *descriptive*, *predictive*, and *prescriptive*.

Descriptive analytics is focused on understanding what has happened. By definition, it is focused on understanding the past. Descriptive analytics might include understanding what percentage of an employee sample has a college education versus a high school education. *Predictive analytics* focuses on what is likely to happen given what is known. By definition it is forward looking. For example, predictive analytics might focus on understanding how going to high school versus continuing to college relates to job performance based on probabilities. *Prescriptive analytics* focuses on what should be done in the future based on what is known. By definition it is also forward looking. Prescriptive analytics might focus on what the best mix of high school– versus college-educated employees the firm *should* have for optimal firm performance.

Descriptive Analytics
- **What has happened?**
- Most of HRM employs descriptive analytics
- Includes sums, averages, percentages that describe the situation
- For example, for HRM, how many employees went through training last year?

Predictive Analytics
- **What could happen?**
- Includes forecasts, developing models to predict and explain employee and organizational outcomes
- For example, for HRM, understanding which types of employees will benefit the most from different training programs

Prescriptive Analytics
- **What should be done?**
- Consider different possible outcomes of actions and optimal solutions; rarely used
- Advice on which course of action the organization *should* take
- For example, for HRM, what should the organization do so employees will benefit most from training?

gigabytes. Every second, there are over 8,000 tweets, nearly 1,000 Instagram photos uploaded, over 1,500 Tumblr posts, 3,000 Skype calls, over 65,000 Google search queries, and 2.7 million e-mails sent. These numbers continue to grow over time.[25] That's a lot of data. In addition, companies often gather annual opinion surveys, as well as other employment data from millions of workers each year. As more and more transactions, communications, and shopping move online, more information is available each day. Thus, over 70% of business executives are investing, or plan to invest, in analytics related to big data, but only 2% say they have yet achieved what they called "broad, positive impact."[26]

This book explicitly focuses on the importance of data in making effective HRM decisions. We offer examples and insights throughout the book as well as special features to help bring data analytics to help you become more familiar and more effective at thinking about and leveraging the availability of data. Chapters 2 and 3 include much more depth on data. But for now, knowing that technology and big data are major trends that affect HRM throughout the world are the key points we want you to take way from this section.

Ethical Challenges and Corporate Social Responsibility

Business ethics is a system of principles that govern how businesses operate, how decisions are made, and how people are treated. It includes the conduct of individual employees as well as the entire organization. These concepts should look familiar from our earlier discussion of the characteristics of effective HRM decision making. The concept of business ethics arose in the 1960s and 1970s in the United States as values shifted from strict loyalty to the organization to a stronger loyalty toward one's own guiding principles and ideals.[27] This manifested itself through environmental issues, increasing employee-versus-employer tension, human rights issues surrounding unfair and unsafe labor practices, and civil rights issues. Over time, additional issues surfaced, such as bribes and illegal contracting practices, deception in advertising, and lack of transparency in business transactions.

By the early 2000s, concerns regarding business scandals such as financial mismanagement, increased corporate liability for personal damage, and fraud had come to the forefront. Such scandals led to several changes on the global stage, such as the UN Convention Against Corruption and the 2004 Global Compact adopting the 10th principle against corruption, and the Association of Advanced Collegiate Schools of Business (AACSB) included ethics as part of an accredited business education including a key provision on the importance of ethical decision making.[28] Given that HRM is defined as the constellation of decisions and actions associated with managing individuals throughout the employee life cycle, addressing ethical challenges and corporate social responsibility are key aspects of HRM. Thus, you will find a feature called *Spotlight on Ethics* in each chapter of this book. We encourage you to take the time to consider the ethical challenges you have and may encounter at work.

Business ethics A system of principles that govern how business operates, how decisions are made, and how people are treated

HRM as a Profession

Not every person reading this book plans to go into HRM as a profession. Nevertheless, understanding who is involved in HRM, the types of HR careers available, and what the core HRM competencies are should be helpful to all interested in business. We start with an overview of who is involved in HRM.

LO 1.4 Summarize the HRM profession.

Who Is Involved in HRM?

The short answer to this question is everyone within an organization. This is because everyone is responsible for helping the organization be successful. However, some individuals, groups, and departments are more involved in HRM decision making and actions on a
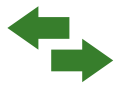
SPOTLIGHT ON ETHICS

SHRM Code of Ethics

Ethics is critically important to the effective practice of HRM. Ethical decisions and actions lead to greater trust and engagement within organizations and allow for all types of information to emerge, which is important for effective decision making. Given the importance of ethics to HRM, the Society for Human Resource Management (SHRM), which is the world's largest professional society for human resource management, developed a code of ethics. We encourage you to read this code of ethics whether you are an aspiring manager or HRM professional or one who is seasoned. The core principles noted are easily transferable to different organizational roles, and following them can help you avoid serious problems as you are faced with ethical dilemmas and decisions throughout your career. The six core principles described in the code provisions include

the idea that professionals should engage in their work with a focus on professional responsibility, professional development, ethical leadership, fairness and justice, conflicts of interest, and use of information.

Questions

1. Describe a hypothetical scenario in which you would benefit from applying certain principles from the SHRM Code of Ethics.

2. Choose a business situation from the news or the HR literature where principles from the SHRM Code of Ethics could have made a difference. Specifically, what did the decision makers do right, or what could they have done better?

Professional Responsibility
As HR professionals, we are responsible for adding value to the organizations we serve and contributing to the ethical success of those organizations. We accept professional responsibility for our individual decisions and actions. We are also advocates for the profession by engaging in activities that enhance its credibility and value.

Professional Development
As professionals, we must strive to meet the highest standards of competence and commit to strengthen our competencies on a continuous basis.

Ethical Leadership
HR professionals are expected to exhibit individual leadership as role models for maintaining the highest standards of ethical conduct.

Fairness and Justice
As human resource professionals, we are ethically responsible for promoting and fostering fairness and justice for all employees and their organizations.

Conflicts of Interest
As HR professionals, we must maintain a high level of trust with our stakeholders. We must protect the interests of our stakeholders as well as our professional integrity and should not engage in activities that create actual, apparent, or potential conflicts of interest.

Use of Information
HR professionals consider and protect the rights of individuals, especially in the acquisition and dissemination of information while ensuring truthful communications and facilitating informed decision making.

SPOTLIGHT ON HR FOR SMALL AND MEDIUM-SIZED BUSINESSES

By the Numbers

Of the 5.83 million employing firms in the United States, 99.7% consist of 500 or fewer employees. Further, organizations with fewer than 20 workers make up 89.4% of those firms. But those numbers are only for organizations with employees. There are over 24 million small businesses in the United States classified as self-employment, with no additional payroll or employees. Smaller businesses are also big money. In 2011 alone, revenue from nonemployer businesses (those with no employees) was $989.6 billion. The number of self-employed individuals soared by 19% from 2005 to 2015. This is, in part, due to the rise of the gig economy, as noted earlier in this chapter. Thus, it is accurate to say that when it comes to business in the United States, it is overwhelmingly smaller businesses that make up a majority of the firms.

It is easy to lose sight of this, given how prevalent information is on the HR practices of Fortune 500 organizations. They frequently make news, and we often read about them in the pages of *Forbes* or the *Wall Street Journal*. However, every major company was once a small business, so it makes sense to think about HR as a powerful tool for new companies. This is especially important to keep in mind knowing that over 50% of the working population works in a small business. Although we highlight examples of small, medium-, and large-sized businesses throughout this book, we also specifically spotlight HR for small and medium-sized businesses in each chapter to make sure no one forgets how critical they are to the economy.[29]

---

day-to-day basis than others. These include CEOs and the associated leadership team, HR managers, line managers, as well as HR specialists and generalists. In addition, other areas of the organization, such as information systems technology, play an important role in making sure the right people have the right information in place in order to make the most effective decisions possible. The marketing of products influences whether potential applicants know about and are attracted to the organization. The accounting and finance functions are critical to the fiscal health of an organization, and therefore, they also play an important role in keeping the organization's finances supporting human capital. They may be involved in compensation and benefits-related decisions as well. And every one of these departments also has managers who oversee them. Thus, it would be a missed opportunity to *only* focus on what happens within the Department of Human Resource Management within a firm.

Because this book is written with a special focus on best practices and functions of HRM, we focus primarily on the ways in which four important groups affect the culture and functioning of HRM within an organization. These include the top management leadership team, line managers, HRM practitioners, and finally, HR departments.

Top Management Teams and HRM

The top members of the organizational team, such as the CEO, top management team, and/or owner of the organization, set the tone for HR and how much or how little human capital is valued. They also set the tone for how much HRM is valued as a strategic function to enhance the organization's effectiveness. The organization's chief human resource officer (CHRO) is also critical in this regard. Organizations often use executive recruiting functions within their organizations or hire external search firms to help them find the right talent at this level.

Enrique Washington is an executive talent acquisition leader. In the past, he has recruited executives at sports organizations such as the Portland Trail Blazers, video game maker Electronic Arts, and Nike. A key part of his job is advising hiring leaders on establishing role requirements to identify, assess, select, and integrate new executive leaders in alignment with their business goals.

HR Managers and HRM

An HR manager is someone who oversees the personnel department or HR functions within a group. The degree to which they are passive versus proactive in terms of asking questions, gathering data, and helping to address the major challenges and opportunities of the organization can influence how effective HRM and relatedly the organization ultimately becomes. One of the other major functions of these individuals is to partner with other managers across the organization. This is a critical coordination function. These individuals might hold a variety of job titles such as HR manager/director, which is the most frequently advertised job position in HR.
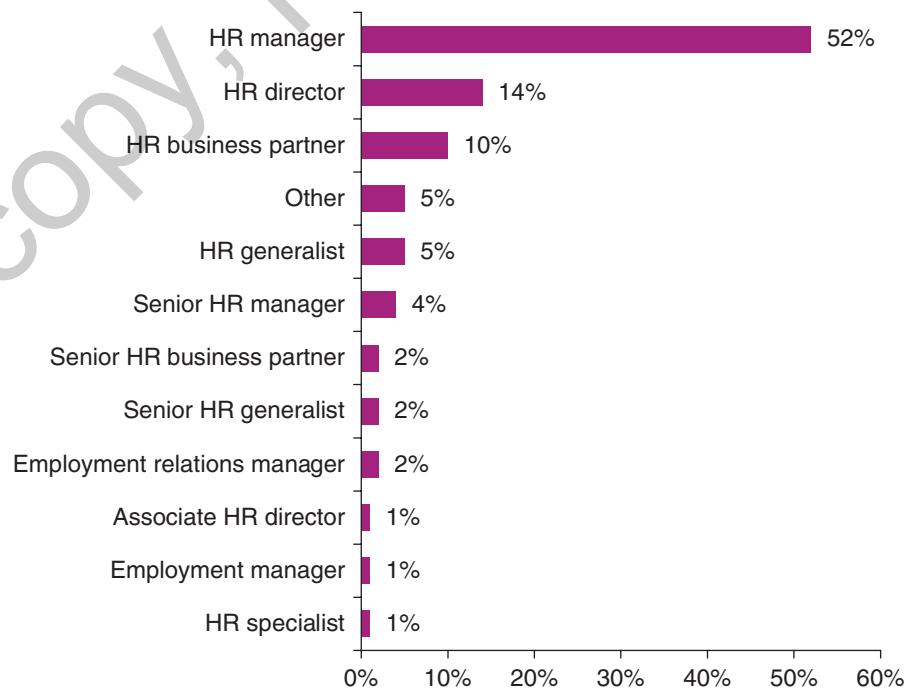
Line Managers and HRM

Managers also play a critical role in making people decisions. For example, a hiring manager's opinion can be the difference between a person being hired, promoted, or fired. Managers also play a critical day-to-day role in managing work flows, helping support new employee development, and developing talent for greater responsibilities over time. Managers help to set the tone of a work group or department. Research shows that the climate managers set can influence the level of innovation, safe behaviors, and ethical behaviors within the group.[30] Most position announcements for HR manager require 3 to 5 years of HR-related experience to be considered for the job.

HR Careers

HR practitioners work on HR-related activities and regularly engage in HR-related strategic and process-related people or personnel decisions within the organization. They might be called HR manager, HR partner, or HR specialist (see Figure 1.5). Each of these titles connotes different

■ **FIGURE 1.5**   HR Job Titles

HR manager is the most prevalent HR job title[31]

HR job title	Percentage
HR manager	52%
HR director	14%
HR business partner	10%
Other	5%
HR generalist	5%
Senior HR manager	4%
Senior HR business partner	2%
Senior HR generalist	2%
Employment relations manager	2%
Associate HR director	1%
Employment manager	1%
HR specialist	1%

Source: Data from Osterhaus, E. (2014). Study: What employers are looking for in HR positions. Retrieved from http://new-talent-times.softwareadvice.com/what-employers-look-for-hr-jobs-0514

aspects of the HR practitioner's core job functions. And each might perform an *HR specialist* function where they attend to all aspects of one specific HRM function, such as recruitment, compensation, or training. Or they might be an *HR generalist* function where they span the multiple HR functions. As you might imagine, the needs for specialists versus generalists is related to the size and scope of the HR function, as well as the industry the organization is in. The larger the organization is, the more likely it is to employ specialists. Thus, you might see job titles such as recruiter, compensation analyst, or HR analysts.

HR Business Partners and HRM

HR business partner (HRBP) is the second most frequently advertised job position in HR. An *HR business partner* is a more recent term and refers to someone who serves as a consultant to management on HR-related issues. As the Society for Human Resource Management notes, the "HRBP is responsible for aligning business objectives with employees and management in designated business units. . . . The successful HRBP will act as an employee champion and agent of change." The key aspect of HRBP is that their role is to anticipate HR-related needs, as well as being available to share advice and proactively address small problems before they become big ones.

What Employers Look for in HR Applicants

The answer to this question depends on the level of the HR position in the organization, as well as the degree to which HR plays a strategic role within the organization. For example, an HR assistant position typically only requires a high school diploma. However, to move up in the organization, a college degree can make a big difference. An analysis of HR position announcements for jobs found that the top requested areas of college study included human resource management, business administration, psychology, and organizational development. Getting the first job and some HRM experience is only the first step. Those in HR need to stay up to date on the latest developments—especially as they relate to the ever-shifting legal environment.

There are organizations that exist in order to help HR practitioners stay informed of best practices and up to date on the latest trends that might affect HR. One such organization is the Society for Human Resource Management (SHRM). SHRM is the world's largest HR professional society, representing 285,000 members in more than 165 countries. Its headquarters are located in Alexandria, Virginia, and it has 575 affiliated local chapters throughout the United States, China, India, and the United Arab Emirates.[32] One of the key benefits of such professional organizations is that they have a wide view of what it takes to be effective in HRM. In fact, SHRM has spent a great deal of time and energy studying just that, as seen in the section on competencies.

Salary and Job Outlook

The Bureau of Labor Statistics (see Table 1.1) reports that the median pay for an HR manager in 2017 was $110,120 per year, which equals $52.94 per hour. Moving up to become an HR manager happens, on average, about 5 years after starting out. In addition, job growth is projected to be 9% in the next 10 years, which is above the average for all jobs that year.[33] Overall, HRM is considered to have solid career prospects and to be an attractive job. For example, a 2018 survey by Glassdoor .com found that human resource manager was the fifth-best job based on job projections, median base salary, and career opportunity ratings.[34] Shari Ballard, former chief HR officer and president of U.S. retail (and now senior executive VP) at Best Buy Co. Inc., was the highest-paid HR executive in 2015 at $6.6 million, based on Securities and Exchange Commission findings. In 2015, 7 of the 10 highest-paid HR executives at publicly traded companies were women. In 2016, she became president of Best Buy's Multi-Channel Retail and Operations.

HRM certifications. HRCI began offering certification in HR in 1976 and originally partnered with SHRM. However, starting in 2015, SHRM began offering its own certification based on its HR competency model. Thus, the two major certifications in HRM are administered by SHRM (SHRM-CP and SHRM-SCP) and the HR Certification Institute (HRCI) (SPHR and PHR). (We discuss what a competency model is later in this chapter and in greater depth in Chapter 5.)

HR specialist A person who fulfills an HR specialist function attends to all aspects of one specific HRM function

HR generalist A person who fulfills an HR generalist function attends to multiple HR functions

HR business partner Someone who serves as a consultant to management on HR-related issues

Tona Brewer, Director of Global Talent Management at Blount International, Inc, focuses on developing a range of approaches designed to improve individual and organizational performance. She leads teams and organizations focused on identifying metrics that matter.

TABLE 1.1 HRM Careers by the Numbers

HR Specialists

Human resources specialists recruit, screen, interview, and place workers. They often handle other human resources work, such as those related to employee relations, compensation and benefits, and training.

2017 Median Pay	$60,350 per year ($29.01 per hour)
Typical Entry-Level Education	Bachelor's degree
Work Experience in a Related Occupation	None
Number of Jobs, 2016	547,800
Job Outlook, 2016–2026	7% (average)
Employment Change, 2016–2026	38,900 new jobs

HR Managers

Human resources managers plan, direct, and coordinate the administrative functions of an organization. They oversee the recruiting, interviewing, and hiring of new staff; consult with top executives on strategic planning; and serve as a link between an organization's management and its employees.

2017 Median Pay	$110,120 per year ($52.94 per hour)
Typical Entry-Level Education	Bachelor's degree
Work Experience in a Related Occupation	5+ years
Number of Jobs, 2016	136,100
Job Outlook, 2016–2026	9% (faster than average)
Employment Change, 2016–2026	12,300 new jobs

Source: Bureau of Labor Statistics.[35]

One question that those interested in business and HRM practitioners alike ask is the value of HRM certifications. In an analysis of job postings for HRM, 42% noted a preference or requirement for certification. Further, some positions, such as HR business partner, were more likely than not to require certification, which indicates that certification may be beneficial in securing a job.[36] In addition, having a deeper knowledge of HRM should help the individual to master the HRM knowledge domain more fully and signals a deeper interest in HRM than noncertified individuals.[37]

HR Competencies

Competency A cluster of knowledge, skills, abilities, and other characteristics (KSAOs) necessary to be effective at one's job

You probably know what it means to be competent. A person who is competent is perceived to be able to perform specific functions reasonably well. A *competency* is a cluster of knowledge, skills, abilities, and other characteristics (KSAOs) necessary to be effective at one's job. Competencies are much like this but at a broader level, as they refer to a set of technical or behavioral KSAOs that, together, help to define what it takes to be successful within a specific job, organization, or profession.[38]

SHRM developed its competency model based on 111 focus groups consisting of 1,200 participants and completed surveys from over 32,000 HR professionals (see Figure 1.6). Its goal was to create a model that is applicable to all HR professionals regardless of characteristics such as job function or career level, organization size, industry, or location. What emerged was a set of core technical competencies called *HR expertise/knowledge*. In addition, it identified eight behavioral

■ **FIGURE 1.6**   SHRM Competency Model

SHRM developed the SHRM Competency Model. Technical competencies are encompassed within HR expertise/knowledge. Interpersonal competencies include relationship management, communication, and global and cultural effectiveness. Business competencies include business acumen, critical evaluation, and consultation. Leadership competencies include leadership and navigation and ethical practice.

Source: Reprinted from *SHRM Competency Model* with permission of the Society for Human Resource Management (SHRM). © SHRM. All rights reserved.

competencies that form three additional clusters of competencies with *interpersonal competencies* including relationship management, communication, and global and cultural effectiveness; *business competencies* including business acumen, critical evaluation, and consultation; and *leadership competencies* including leadership and navigation and ethical practice.

Staying Up to Date: Evidence-Based Management

We have seen how important learning the functions of HRM is. It is also important to stay abreast of changes in the field as they evolve by taking workshops and education courses (and continuing education) separately or as part of being certified. Another important way that managers, HRM practitioners, consultants, and researchers stay up to date on the latest findings and changes in the field is by learning about research findings conducted by others. In this way, practitioners can learn best practices to give their organization a competitive advantage by saving time by learning from others' mistakes and considering their successes.

Information regarding HRM comes from three main places. First, organizations often engage in benchmarking. ***Benchmarking*** refers to a measurement of the quality of an organization's practices in comparison with peer organizations using similar metrics. The best benchmarking follows the standards of good decision making and includes identifying the goal and

Benchmarking The measurement of the quality of an organization's practices in comparison with those of a peer organization

parameters of the benchmarking, gathering data, analyzing data, and communicating the results. Benchmarking might occur within a specific industry sector or across functions such as HRM benchmarking. Benchmarking is often done at different levels as well, with Fortune 500 organizations often benchmarking against one another. For example, asking what the top 10 best companies in your industry do in terms of surveys with departing employees could be useful information if you are planning to make changes to your own exit process. One thing to keep in mind is that simply meeting benchmarks is not an advantage, but understanding them and moving beyond them can be.

Second, reports are written based on surveys and trends by HR organizations such as SHRM, The Conference Board, or the Association for Talent Development, and HR consulting firms such as PwC, SAP/SuccessFactors, and Aberdeen Group. These findings might be shared at industry conferences or in practitioner outlets such as *HR Focus, HR Magazine, Harvard Business Review, People Management*, *Workforce*, and *T+D* as well as via blogs or newsletters. These outlets may be reviewed but do not go under the same scrutiny as peer-reviewed research articles.

Third, researchers within universities and in industry in the fields of HRM and I-O psychology[39] generate new knowledge about best practices through their research streams. The findings are published in academic journals, which are *peer reviewed* by experts in that research area who evaluate the rigor of the studies and their contribution to the research and practice of HRM. Research findings are also presented at annual conferences such as the Academy of Management and Society for Industrial and Organizational Psychology.[40] Papers presented at these particular conferences are also peer reviewed but with less detailed peer review than for a journal, and attending sessions at conferences allows HRM practitioners and researchers to learn what some of the most current research is on a given topic. And of course, books on HRM topics are also important ways to stay up to date.

Given how important we feel evidence-based practice is, we include research findings throughout the book. When we can, we focus on key findings from meta-analyses in each chapter. Although we base much of this textbook on findings across many individual studies, a meta-analysis is unique in that it summarizes and synthesizes everything that researchers have found on a given topic up to that point using a statistical process. Another way to think about staying up to date is to follow the scientific process in gathering information within your own organization. We cover what this scientific process includes and how helpful it can be to HRM best practices in Chapter 2.

SPOTLIGHT ON LEGAL ISSUES

U.S. Equal Employment Opportunity Commission

The U.S. EEOC is the primary federal agency responsible for handling workplace discrimination claims. In 2017, the agency received over 84,000 individual filings. In the U.S., federal law prohibits discrimination in employment decisions based on protected characteristics. These laws are referred to as equal employment opportunity (EEO) laws. Most EEO laws pertaining to private, government, and state institutions are monitored and enforced by the EEOC, which is an independent federal agency. The EEOC ensures compliance with the law, in addition to providing outreach activities and preventing discrimination from occurring in the first place. EEO laws typically apply to organizations with 15 or more employees and cover business, private employers, government agencies, employment agencies, and labor unions and aim to prevent discrimination against employees, job applicants, and participants in training and apprenticeship programs. You will learn more about the laws that the EEOC covers in Chapter 4, but for now, the key point is to understand that this agency exists.[41]

CHAPTER SUMMARY

The case of Chobani yogurt illustrates how HRM influences a company's success from start-up through years of expansion, including successes and setbacks. At this point, you know a great deal about what HRM is, why it matters, and different types of organizational cultures. We also covered an overview of six key aspects of the changing context of HRM, including changing demographics, the emergence of a gig economy, globalization, technology, availability of data, and ethical challenges and corporate social responsibility. The overview of HRM as a profession included understanding who is involved in HRM, different aspects of HRM careers, and HRM competencies. Finally, Spotlights on global issues, HR analytics, ethics, HR for small and medium-sized businesses, and legal issues, as well as HR in Action, highlighted key points and examples.

KEY TERMS

human resource management (HRM)   5
biases   6
availability bias   6
anchoring bias   7
overconfidence bias   9
A-S-A framework   9
organizational culture   10

clan cultures   11
adhocracy cultures   12
market cultures   12
hierarchy cultures   12
gig economy   13
gig   13
business ethics   17
HR specialist   21

HR generalist   21
HR business partner   21
competency   22
benchmarking   23
sign   28
magnitude   28
spurious correlation   28
Hawthorne Effect   29

SAGE edge™

Visit **edge.sagepub.com/bauer** to help you accomplish your coursework goals in an easy-to-use learning environment.

- Master the learning objectives using key study tools
- Watch, listen, and connect with online multimedia resources

- Access mobile-friendly quizzes and flashcards to check your understanding

HR REASONING AND DECISION-MAKING EXERCISES

MINI-CASE ANALYSIS EXERCISE: INFORMATION SEEKING AS A NEW EMPLOYEE

You have started work at a small company, Johnson Natural Shoes, which designs and produces children's shoes. The company has an innovative approach and uses all-natural materials. Its product has been increasing in demand in the few short years since it began. The company was founded by Shannon McKenzie. You found out about the position because you are friends with Shannon's daughter, who is an old friend of yours from high school. You were hired after you met with the founder, who remembered you from soccer games and birthday parties.

You do not have a job description or formal job title. But you are the only person in the organization with a degree in business, and Shannon mentioned to you that you were hired in the hopes you could help the company manage its rapid growth. At this point, the company is on track to double in size this year compared with last year, when it only had 28 employees.

You notice from the first days on the job that employees enjoy collaborating and making decisions together, and you feel welcomed right away. You see great things in the company's future and want to help make Johnson Natural Shoes an international brand. You can't wait to start making a contribution.

Now it is your turn to decide how to help:

1. Given that you are still new to the company, how would you approach learning more about the company and its employees?

2. What are specific key questions you might want to ask employees about the company?

3. Based on your knowledge of business, what would you advise Shannon to consider as HR priorities as the organization experiences high growth?

HR DECISION ANALYSIS EXERCISE: UNLIMITED VACATION?

In this chapter, we presented a lot of information regarding HRM and approaches to business in general. Given how many different things you have considered, we would like you to take some time to focus on some key aspects of making effective HRM decisions. Read on about some different HRM decisions that have been made.

Your company is considering giving everyone in the organization unlimited vacation time regardless of how long they have been with the company or how much they currently make. This is following the popularity of this approach at several major organizations such as Netflix, General Electric, and the Virgin Group. Your boss has asked you to take the perspective of wanting to ensure that HRM decisions are effective, and using the figure below as a guide, determine what questions should be asked to address how wise this policy change might be from a variety of angles.
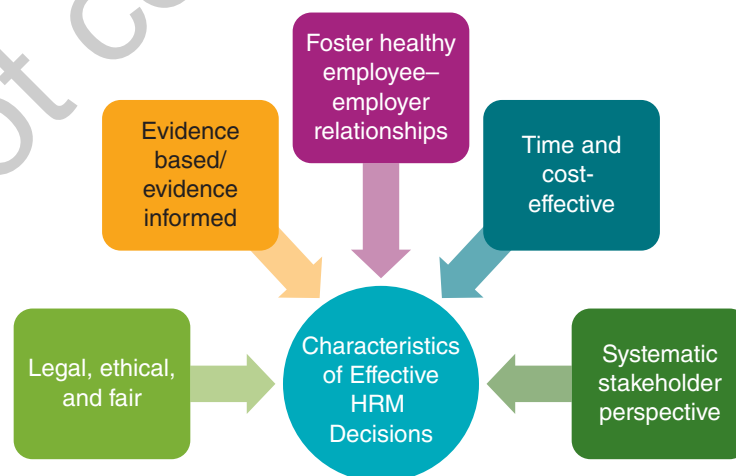
Please generate questions and provide the rationale for them around each of the following characteristics. In other words, what questions do you need to have answered to determine if this is an effective HRM decision?

Legal, ethical, and fair

_____
_____
_____
_____

Evidence based/evidence informed

_____
_____
_____
_____
_____

Fosters healthy employee–employer relationships

_____
_____
_____
_____

Timely and cost effective

_____
_____
_____
_____

Takes a systematic stakeholder perspective

_____
_____
_____
_____
_____
_____

Considering your analysis, overall, is this an effective decision? Why or why not?

_____
_____
_____
_____
_____
_____

What, if anything, do you think should be taken into consideration to help make this decision most effective?

_____
_____
_____
_____

HR DECISION-MAKING EXERCISE: THE CHANGING CONTEXT OF HRM

Making HRM decisions is often a group activity, as seldom does one person have all the required information, context, and expertise to tackle every HR issue. Working in a group, review the six trends we identified as impacting HRM today and into the future (changing demographics, the emerging gig economy, increasing globalization, technology, availability of data, and ethical and corporate social responsibility challenges).

1. Form your group.

2. Decide if there are additional trends your group believes might be as important or more important than these six.

3. As a group, decide which trend your group collectively feels is the *most* important factor that will influence HRM. It is as important to justify your answer in terms of your selection of the most important factor as it is to defend why the others are not seen as equally important.

DATA AND ANALYTICS EXERCISE: CORRELATION DOES NOT EQUAL CAUSATION

Sign The positive or negative direction of a relationship between variables

Magnitude The size of a relationship

Correlation is an important statistical tool, and it is utilized in different ways in the context of HRM. A correlation coefficient is a number that conveys two important pieces of information: sign and magnitude. The *sign* (positive or negative) refers to the direction of a relationship, and the size of that relationship is its *magnitude*.

A correlation coefficient can range from −1.00 to +1.00 (i.e., its greatest possible magnitude is 1.00, and its sign can be either positive or negative). A correlation coefficient of −1.00 indicates that two variables are "perfectly" correlated and share a negative (inverse) relationship such that as scores on one variable get larger, scores on the other variable get smaller. Conversely, a correlation of +1.00 indicates that two variables are perfectly correlated and share a positive relationship such that as scores on one variable get larger, scores on the other variable also get larger. Specifically, the absolute value of a correlation coefficient indicates how strong the relationship is, where an absolute value of 1.00 indicates a perfect relationship, and a value of 0.00 indicates no relationship. In HRM, we often describe the size of a correlation using qualitative descriptors. For instance, we might describe a correlation coefficient of 0.10 as *small*, 0.30 as *medium*, and 0.50 as *large*. Thus, a correlation coefficient provides a very efficient description of how much two variables are related in terms of the sign and magnitude of their relationship.

Spurious correlation A correlation observed between two variables that are not actually related

With all that said, we must still remember that *correlation does not mean causation*. That is, two variables may covary with one another without being directly related. When a correlation is found between two variables that are not directly related, we refer to this as a *spurious correlation*, which may be the result of two variables that are not directly related but that share a common cause. For example, imagine that you find a large positive correlation (e.g., $r = .52$) between construction workers' self-reported annual consumption of ice cream and their level of self-reported job satisfaction. That is, as the amount of ice cream consumed by construction workers increases, their level of job satisfaction tends to increase as well. At first glance, we might look at this finding and conclude that ice cream consumption causes job satisfaction. Taking a closer look, we might think, "Well, this relationship doesn't make much sense given what we know about job satisfaction."

What, then, is a possible explanation for this potentially spurious correlation? The finding could be due to a third variable that causes both increases in ice cream consumption and increases in job satisfaction. Perhaps construction workers in this sample work in multiple locations around the United States. Accordingly, those who work in warmer climates consume more ice cream per year to cool off. In addition, those who work in warmer climates feel more satisfied with their job because they work outdoors in more pleasant temperatures. In this scenario, ice cream consumption does not cause job satisfaction, and job satisfaction does not cause ice cream consumption; rather, warmer climate is the common cause that leads to more ice cream consumption and higher job satisfaction, thereby resulting in the spurious correlation.

In sum, we should remain cautious when interpreting correlations and remind ourselves that *correlation does not equal causation*. To avoid making this mistake, we should evaluate each correlation coefficient through the lens of existing theory to make better decisions and draw more appropriate conclusions.

✅ EXCEL EXTENSION: NOW YOU TRY!

- On **edge.sagepub.com/bauer**, you will find an Excel tutorial that shows how to compute a correlation coefficient.

- Using Excel, answer the following questions:

  o What is the correlation between employee engagement and sales revenue?

  o Consider the sign and the magnitude of the correlation. How would you describe the nature of the relation between engagement and sales revenue to a manager who does not know what a correlation coefficient means?

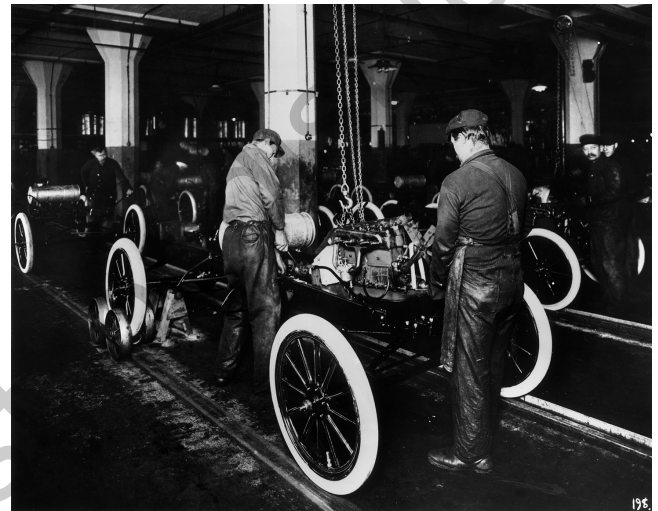 o What is the correlation between job satisfaction and customer satisfaction?

CHAPTER 1 SUPPLEMENT: THE EVOLUTION OF HRM

To understand modern HRM, we find it helpful to take a quick look back through history to understand how HRM developed and transformed over the years. The following section will review HRM from the early years through the modern changes and trends within HRM of today.

EARLY YEARS

With the Industrial Revolution in the 19th century, organizations became increasingly large and hierarchical. This increased number of employees required that organizations think more carefully about how to manage their employees. This included

new techniques for helping employees to get the work done, as well as the need for entire departments that would help support the management of a large number of workers. In the early part of the 20th century, as a precursor to modern HRM, the mechanical engineer Frederick W. Taylor developed a method he termed *scientific management*, which emphasized the study of actions in order to establish the most efficient possible way to do a task. These *time and motion studies* were a mechanical approach for improving productivity and efficiency. In one classic example, Taylor devised the "science of shoveling" and determined that 21 pounds was the optimal amount to be shoveled at one time, balancing how much weight a worker could lift and sustainability so that the worker was not too tired. In those days, every worker brought their own shovel to work, and not all shovels were able to handle a 21-pound load. So Taylor provided workers

Hulton Archive/Getty Images

with the optimal shovel for each density of materials: coal, dirt, snow, and so on. With the right tools, workers became 3 or 4 times more productive, and they were rewarded with pay increases.[42]

Henry Ford adopted Taylor's scientific management approach. Although it made workers efficient, it also made the work less fulfilling, resulting in high turnover rates and training costs. Here, workers are constructing a Model T engine on an assembly line in a Ford Motor Company factory circa 1914.

Although methods like Taylor's did lead to greater output by employees, the changing nature of work made these methods less important. Furthermore, society began demanding—and employees began expecting—that workers be treated more humanely and less like interchangeable cogs in a wheel. A major shift occurred as workers organized and began to demand better treatment. For example, National Cash Register Company was originally established to manufacture and sell the first mechanical cash register, which had been invented in 1879. Following a bitter strike, in 1901, the company set up what is believed to be the first HR department (then called personnel department).[43]

HUMAN RELATIONS ERA

These events exemplify what was happening during the early years of HR's origin. As working conditions got worse and societal pressure became greater, businesses were forced to respond by setting up procedures to treat employees in more humane and predictable ways, such as set wages and hours.

Up until the 1920s, workers were thought of as interchangeable parts of the organizational machine, with little attention paid to how their own thoughts or desires might influence how much or how well the work was done. However, that all changed with the beginning of the Hawthorne studies conducted by Harvard Business School professor Elton Mayo at the Western Electric Hawthorne Works near Chicago, Illinois. His team began by examining differences in the physical aspects of the plant, such as the lighting, temperature, and humidity conditions, on the assembly of electronic components. But no consistent effects were found. They made the factory brighter, and the employees went faster. They dimmed the lights, and employees responded by assembling the components more quickly. In other words, employees continued to work harder, even under conditions (low lighting) where they should not. This was a frustrating outcome, but it led to a new concept called the *Hawthorne Effect*, which refers to the alteration of one's behavior to fit what you think is wanted of you, due to the knowledge of being studied or observed. The idea that psychological and social factors mattered as much as the physical environment was big news at this point in the history of understanding productivity.

Hawthorne Effect The alteration of one's behavior to fit what you think is wanted of you, as a result of the knowledge of being studied or observed

WORLD WAR II AND POSTWAR ERA

During World War I, selection was a major emphasis as exams were developed to help select and place soldiers with the right skills into the right positions. This work continued throughout World War II and into today, where the military branches in the United States place a great deal of time and attention into the HRM practices of recruiting, selecting, training, and maintaining a huge workforce. From the 1930s to the 1950s, the United States also saw increases in union membership, which have dwindled over time. During this time, other important milestones in HRM included Cornell University establishing the School of Industrial and Labor Relations as the first university program to focus on HRM issues and SHRM originally forming in 1948.

TABLE 1.2   Human Resource Management Evolution and Timeline

1870–1920s	1927–1940	1941–1963	1964–PRESENT	1995–PRESENT	2005–PRESENT
Early Years and World War I Era	**Human Relations Era Begins**	**World War II and Postwar Era**	**Civil Rights Era**	**Strategic and Technology HR Era**	**Competencies and Analytics Era**
Personnel Administration	*Human Resource Management*	*Personnel Management*	*Human Resource Management*	*Strategic Human Resource Management*	*Human Resource Business Partners*
Factories set up procedures to attend to employee wages and welfare and labor concerns. **1901:** National Cash Register Company establishes the first HR department. **1905–1920:** Scientific Management **1910** Ford and Tata Steel institute 8-hour day. **1913:** The oldest known HR organization, known as the Chartered Institute of Personnel and Development (CIPD) since 2000, formed in the UK. It was then called the Welfare Workers' Association. **1917:** Army Alpha and Army Beta Exams are developed to help select soldiers (Walter Scott & Walter Bingham).	**1927–1932:** Elton Mayo conducts Hawthorne Studies and stumbled upon the Hawthorne Effect.	**1935–1950:** Surge in union membership. **1945:** Cornell University established the School of Industrial and Labor Relations as the first institution of higher education in the U.S. to focus on HR issues. **Post-WWII** **1948:** SHRM originally formed as the American Society for Personnel Administration this year. It became SHRM in 1998.	**1963:** Equal Pay Act **1964:** U.S. Civil Rights Act **1976:** HR Certification Institute begins to offer certifications. **1978:** Uniform Guidelines on Employee Selection Procedures (see Chapter 6) **1990:** Americans with Disabilities Act **2009:** Lilly Ledbetter Fair Pay Act amends the Civil Rights Act.	**1997:** David Ulrich publishes *Human Resource Champions*. **2001:** Brian Becker, Mark Huselid, David Ulrich publish *The HR Scorecard*. Beginning of online and high-tech delivery of HR functions.	**2004:** Todd Carlisle, later VP of HR at Twitter, becomes the first member of People Analytics team at Google. **2015:** SHRM develops its competency model and offers its own certifications, breaking away from the HR Certification Institute. **2018:** Continued development of online HR functionality. Availability of cloud computing, big data, and analytics proliferate. Beginning of robotics and cognitive automation.

Sources: The historical background of human resource management. (n.d.). http://www.whatishumanresource.com/the-historical-background-of-human-resource-management; Truxillo, D., Bauer, T., & Erdogan, B. (2016). *Psychology and work: Perspectives in industrial and organizational psychology.* London and New York: Routledge Press.

CIVIL RIGHTS ERA

In 1964, the U.S. Civil Rights Act was a major change in the way HRM was done. The act outlawed discrimination on the basis of race, color, religion, sex, or national origin in regards to voter registration, racial segregation in schools, and toward applicants or employees at the workplace. Employment practices such as hiring decisions, promotion decisions, and decisions regarding who gets training and development opportunities suddenly came into the spotlight. We cover this act, as well as other key legal decisions, in much greater depth in Chapter 4. In the United States, acts of Congress can be altered over time. For example, the Equal Pay Act of 1963, which "prohibits sex-based wage discrimination between men and women in the same establishment who perform jobs that require substantially equal skill, effort, and responsibility under similar working conditions," and the Civil Rights Act of 1964 were modified by the Lilly Ledbetter Fair Pay Act of 2009. A key aspect of this act redefines the statute of limitation for pay discrimination to be reset every time a person receives a paycheck that does not represent fair pay.

President Barack Obama signing the Lilly Ledbetter Act into law on January 29, 2009, while Ledbetter, to his left, watches.

Brooks Kraft LLC/Corbis via Getty Images

MODERN HRM

Both the Strategic and Technology HR and Competencies and Analytics Eras marked major shifts in the evolution of HRM. Rather than simply considering HRM to be about processing and controlling employees and being considered part of the cost of doing business for organizations, it became clear that employing strategy and technology to help employees and organizations be more effective and efficient was possible. Today, the idea that specific competencies can be identified for effectiveness and that data and analytics can help individuals within organizations be more effective is becoming more commonplace. For example, it was not until 2004 that Todd Carlisle became the first member of the People Analytics team at Google.