

# CHAPTER 1

## HUMAN RESOURCE MANAGEMENT: AN OVERVIEW

### CHAPTER DESCRIPTION

In the first part of this chapter, we discuss human capital management as it relates to strategic human resource management. Next we describe human resource management and the human resource management functions. We then describe the dynamic human resource management environment. Next, we address HR's changing role, the development of the human resource manager into a strategic partner with upper management. The various titles of the human resource manager are then discussed. A description of the scope of the book concludes the chapter.

#### KEY TERMS

**Human capital management (HCM):** The task of measuring the cause and effect relationship of various HR programs and policies on the bottom line of the firm.

**Human resource management (HRM):** The utilization of a firm's human resources to achieve organizational objectives.

**Staffing:** The process through which an organization ensures that it always has the proper number of employees with the appropriate skills in the right jobs at the right time to achieve the organization's objectives.

**Human resource development (HRD):** A major HRM function that consists not only of training and development but also of individual career planning and development activities, organization development, and performance appraisal, an activity that emphasizes T&D needs.

**Operative employees:** All of the workers in a firm except managers and professionals, such as engineers, accountants, and professional secretaries.

**External environment:** The factors that affect a firm's human resources from outside the organization's boundaries.

**Social responsibility:** The implied, enforced, or felt obligation of managers, acting in their official capacity, to serve or protect the interests of groups other than themselves.

**Ethics:** The discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation.

**Union:** Comprised of employees who have joined together for the purpose of dealing with their employer.

**Shareholders:** The owners of a corporation.

**Human resource managers:** Individuals who normally act in an advisory (or staff) capacity when working with other (line) managers regarding human resource matters.

**Shared service centers (SSCs):** Centers that take routine, transaction-based activities dispersed throughout the organization and consolidate them in one place.

**Outsourcing:** The process of transferring responsibility for an area of service and its objectives to an external provider.

**Executive:** A top-level manager who reports directly to a corporation's chief executive officer or to the head of a major division.

**Generalist:** A person who performs tasks in a variety of human resource-related areas.

**Specialist:** An individual who may be a HR executive, a HR manager, or a nonmanager, and who is typically concerned with only one of the five functional areas of HRM.

## LECTURE OUTLINE

### HUMAN RESOURCE MANAGEMENT (HRM)

The utilization of individuals to achieve organizational objectives.

### HUMAN RESOURCE MANAGEMENT FUNCTIONS

Five functional areas are associated with effective human resource management: staffing, human resource development, compensation and benefits, safety and health, and employee and labor relations.

**STAFFING**—An organization must have qualified individuals, in specific jobs at specific places and times, in order to accomplish its goals.

**Job analysis:** The systematic process of determining the skills, duties, and knowledge required for performing specific jobs in an organization.

**Human resource planning (HRP):** The process of systematically reviewing human resource requirements to ensure that the required numbers of employees, with the required skills, are available when needed.

**Recruitment:** The process of attracting such individuals in sufficient numbers and encouraging them to apply for jobs with the organization.

**Selection:** The process through which the organization chooses, from a group of applicants, those individuals best suited both for open positions and for the company.

**HUMAN RESOURCE DEVELOPMENT**—A major HRM function that consists not only of training and development but also individual career planning and development activities, organization development and performance appraisal, an activity that emphasizes T&D needs.

**Training:** A process designed to provide learners with the knowledge and skills needed for their present jobs.

**Development:** A process that involves learning that goes beyond today's job; it has a more long-term focus.

**Career planning:** An ongoing process whereby an individual sets career goals and identifies the means to achieve them.

**Career development:** A formal approach used by the organization to ensure that people with the proper qualifications and experiences are available when needed.

**Organization development (OD):** The planned process of improving an organization by developing its structures, systems, and processes to improve effectiveness and achieving desired goals.

**Performance appraisal:** A formal system of review and evaluation of individual or team task performance.

**COMPENSATION AND BENEFITS**—The term *compensation* includes all rewards that individuals receive as a result of their employment.

**Pay:** The money that a person receives for performing a job.

**Benefits:** Additional financial rewards other than base pay include paid vacations, sick leave, holidays, and medical insurance.

**Nonfinancial rewards:** Nonmonetary rewards received, such as enjoyment of the work performed or a pleasant working environment.

**SAFETY AND HEALTH**—These aspects of the job are important because employees who work in a safe environment and enjoy good health are more likely to be productive and yield long-term benefits to the organization.

**Safety:** Activities involved in protecting employees from injuries caused by work-related accidents.

**Health:** Activities involved in securing an employees' freedom from illness and their general physical and mental well-being.

**EMPLOYEE AND LABOR RELATIONS**—A business firm is required by law to recognize a union and bargain with it in good faith if the firm's employees want the union to represent them.

**HUMAN RESOURCE RESEARCH**—Although human resource research is not listed as a separate function, it pervades all HRM functional areas and the researcher's laboratory is the entire work environment.

**INTERRELATIONSHIPS OF HRM FUNCTIONS**—All HRM functional areas are highly interrelated.

### **THE DYNAMIC HUMAN RESOURCE MANAGEMENT ENVIRONMENT**

Many interrelated factors affect the previously identified human resource management functions.

**THE LABOR FORCE**—A pool of individuals external to the firm from which the organization obtains its workers.

**LEGAL CONSIDERATIONS**—Federal, state, and local legislation, and the many court decisions interpreting this legislation, in addition to, many presidential executive orders have had a major impact on human resource management.

**SOCIETY**—Society may also exert pressure on human resource management.

**Social responsibility:** The implied, enforced, or felt obligation of managers, acting in their official capacity, to serve or protect the interests of groups other than themselves.

**Ethics:** The discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation.

**UNIONS**—A group of employees who have joined together for the purpose of dealing collectively with their employer.

**SHAREHOLDERS**—The owners of a corporation. Because shareholders have invested money in a firm, they may at times challenge programs considered by management to be beneficial to the organization.

**COMPETITION**—For a firm to succeed, grow, and prosper, it must be able to maintain a supply of competent employees.

**CUSTOMERS**—Because sales are critical to the firm's survival, management has the task of ensuring that its employment practices do not antagonize the members of the market it serves.

**TECHNOLOGY**—As technological changes occur, certain skills are no longer required, and others will be needed. This necessitates some retraining of the current workforce.

**THE ECONOMY**—As a generalization, when the economy is booming, it is often more difficult to recruit qualified workers.

### **HR'S CHANGING ROLE: WHO PERFORMS THE HUMAN RESOURCE MANAGEMENT TASKS?**

The person or units who perform human resource management tasks has changed dramatically in recent years.

**HUMAN RESOURCE MANAGER**—An individual who normally acts in an *advisory* or *staff* capacity, working with other managers to help them deal with human resource matters.

**SHARED SERVICE CENTERS**—Take routine, transaction-based activities that are dispersed throughout the organization and consolidate them in one place.

**OUTSOURCING FIRMS**—The process of transferring responsibility for an area of service and its objectives to an external provider.

**LINE MANAGERS**—Line managers, by the nature of their jobs, are involved with human resources.

## **HR AS A STRATEGIC PARTNER**

HR executives must understand the complex organizational design and be able to determine the capabilities of the company's workforce, both today and in the future.

## **HUMAN RESOURCE DESIGNATIONS**

**EXECUTIVE**—A top-level manager who reports directly to the corporation's chief executive officer (CEO) or to the head of a major division.

**GENERALIST**—Performs tasks in various human resource-related areas.

**SPECIALIST**—May be a human resource executive, manager, or nonmanager who is typically concerned with only one of the five functional areas of human resource management.

## **THE HUMAN RESOURCE FUNCTION IN ORGANIZATIONS OF VARIOUS SIZES**

As firms grow and become more complex, the HR function becomes more complex and its function achieves greater importance.

**HUMAN RESOURCE FUNCTIONS IN SMALL BUSINESSES**—Some aspects of the human resource function may actually be more significant in smaller firms than in larger ones.

**HUMAN RESOURCE MANAGEMENT FUNCTIONS IN MEDIUM-SIZED FIRMS**—The person chosen to do the HR tasks will be expected to handle most of them alone.

**TRADITIONAL HUMAN RESOURCE FUNCTIONS IN A LARGE FIRM**—When the firm's HR function becomes too complex for one person, separate sections are often created and placed under a human resource manager.

**AN EVOLVING HR ORGANIZATION FOR LARGE FIRMS**—The HR organizational structure of large-size firms changes as firms outsource, use company service centers, and evolve in other ways to make HR more strategic.