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Chapter 1

Introduction to Human Resource Management

003

➔ Learning Objectives

When you finish studying this chapter, you should be able to:

- *define Human Resource Management;*
- *understand the responsibilities of HR department;*
- *discuss the changing environment of HRM;*
- *describe the changing role of HRM.*

➔ Chapter Outline

- *Definition of HRM*
- *Responsibilities of HRM*
- *Changing Environment of HRM*
- *Changing Role of HRM*

Opening Case

As a new member of the board of directors for a local bank, Peter was being introduced to all the employees in the home office. When he was introduced to Mary, he was curious about her work and asked people in her office what her machine did. Mary replied that she really did not know what the machine was called or what it did. She explained that she had only been working there for two months. She did, however, know precisely how to operate the machine. According to her supervisor, she was an excellent employee.

At one of the branch offices, the supervisor in charge spoke to Peter confidentially, telling him that “something was wrong”, but she didn’t know what. For one thing, she explained, employee turnover was too high, and no sooner had one employee been put on the job than another one resigned. With customers to see and loans to be made, she explained, she had little time to work with the new employees as they came and went.

All branch supervisors hired their own employees without communication with the home office or other branches. When an opening was available, the supervisor tried to find a suitable employee to replace the worker who had quit.

After touring the 22 branches and finding similar problems in many of them, Peter wondered what the home office should do or what action he should take. The banking firm was generally regarded as a well-run institution that had grown from 26 to 190 employees. He didn’t know whether to report his findings to the president.





Question

1. Do you think setting up an HR department in the home office would help?
2. What specific functions should an HR department carry out?
3. What HRM functions should be carried out by supervisors?

Key Words

Human Resource Management 人力资源管理
globalization 全球化
deregulation 反常
workforce diversity 劳动力多元化
performance 绩效
commitment 承诺
technological advance 技术进步
corporate strategy 公司战略
competitive advantage 竞争优势
differentiation 差异化

1.1 What Is Human Resource Management?

Human Resource Management(HRM) refers to the practices and policies one needs to carry out about the “people” or human resource aspects of a management position, including recruiting, screening, training, rewarding and appraising.



Discussion

Why is HRM important to all managers?

Why is HRM important to all managers? Perhaps it's easier to answer this question by listing some of the personnel mistakes you don't want to make while managing. For instance, you don't want to:

- hire the wrong staff for the job;
- find your staff not doing their best;

- experience high staff turnover;
- waste time with useless interviews;
- commit any unfair labor practices;
- have some of your employees think their salaries are unfair and inequitable relative to others in the organization;
- allow a lack of training to undermine your department's effectiveness.

In most cases, managers are successful because they have hired the right people for the right jobs and have motivated, appraised, and developed them.

1.2 HRM Functions

The Human Resource Management (HRM) function includes a variety of activities, and the key among them is deciding what staffing needs you have and whether to use independent contractors or hire employees to fill these needs, recruiting and training the best employees, ensuring they are high performers, dealing with performance issues, and ensuring your personnel and management practices conform to various regulations. Activities also include managing your approach to employee benefits and compensation, employee records and personnel policies.

HR manager usually carries out three distinct functions:

- A line function. The HR manager performs a line function by directing the activities of the staff in his or her own department and in service areas.
- A coordinative function. HR managers also work as coordinators of personnel activities, a duty often referred to as functional control. Here the HR manager and department act as “the right arm” of the top executive to assure him or her that HR objectives, policies, and procedures that have been approved and adopted are being consistently carried out by line managers.
- Service functions. HR assists line managers in the hiring, training, evaluating, rewarding, counseling, promoting, and firing of employees. It also administers various benefit programs. HR must take responsibility for clearly defining how management should be treating employees and representing the interests of employees within the framework of its primary obligation to senior management.

1.3 The Changing Environment of HRM

1.3.1 Globalization

Globalization refers to the tendency of companies to extend their sales or manufacturing



to new markets abroad. Globalization has substantially increased global competition. It has made human resource issues more complicated, such as identify capable expatriate managers who live and work overseas; design training programs and development opportunities to enhance the managers' understanding of foreign cultures and work practices; and adjust compensation plans to ensure that pay schemes are fair and equitable across individuals in different regions with different costs of living.

1.3.2 Deregulation

With China's accession to WTO, most industries must now compete nationally and internationally without the protection of government regulated prices and entry tariffs. One consequence has been the sudden and dramatic opening of various markets to competition from abroad. Companies must be better, faster, and more competitive. They are also required to get and stay "lean and mean".

1.3.3 Technological Developments

Technology has been forcing—and enabling—companies to become more competitive. The most central use of technology in HRM is an organization's Human Resource Information System (HRIS). An HRIS provides current and accurate data for purposes of control and decision-making; in this sense it moves beyond simply storing and retrieving information to include broader applications such as producing reports, forecasting HR needs, strategic planning, career and promotion planning, and evaluating HR policies and practices.

1.3.4 Trends in the Nature of Work

Globalization, deregulation and technology are changing the nature of jobs and work. For instance, there has been a gradual shift from manufacturing jobs to service jobs. The service jobs will require new types of "knowledge" workers, new HR management methods to manage them and a new focus on human capital. Human capital refers to the knowledge, education, training, skills, and expertise of a firm's workers', and it's more important than it has ever been before. New HR systems and skills will be required to select, train, and motivate such employees and to win their commitment.

1.3.5 Workforce Diversity

Workforce diversity is another major work-related trend. Specifically, the workforce is becoming more diverse as women, migrant workers, and older workers flood the workforce. Increased diversity will provide many challenges for HR management. To accommodate the

shift in demographics, many organizations have to increase their efforts to recruit and train a more diverse workforce.

1.4 The Changing Role of HRM

The role of HRM has been changing to help companies achieve structural and cultural changes. So far, HR has gone through several changes.

In the early 1900s personnel department first took over hiring and firing from supervisors, ran the payroll department, and administered benefit plans. The job consisted largely of ensuring that procedures were followed. As technology in such areas as testing and interviewing began to emerge, the personnel department began to play an expanded role in employee selection, training and promotion.

In the 1930s the emergence of union legislation led to a second phase in personnel management and a new emphasis on protecting the firm in its interaction with unions.

The discrimination legislation of the 1960s and 1970s triggered a third phase. Because of the large penalties that lawsuits could bring to a company, effective personnel practices became more important. In this phase, personnel continued to provide expertise in areas like recruitment, screening, and training, albeit in a more expanded role.

Today, personnel is speeding through a fourth phase, and its role is shifting from protector and screener to strategic partner and change agent. This reflects a fact of corporate life today: in today's flattened, downsized, and high-performing organizations, highly trained and committed employees—not machines—are often the firm's competitive key.

1.4.1 HR and Employee Commitment

The employee commitment—an employee's identification with and agreement to pursue the company's or the unit's mission—is essential when so many jobs involve high-tech work and teamwork. HR can be crucial here. For instance, two-way communications foster commitment, and companies like Toyota have installed HR programs that guarantee two-way communications and fair treatment of all employees' grievances and disciplinary concerns. High-commitment companies also tend to engage in employee development practices, which aim to ensure that employees can use all their skills and gifts at work. HR is also crucial



here, for instance, in establishing career-oriented performance appraisal procedures and effective training and development practices.

1.4.2 HR and Performance

HR can improve employees' performance in many ways. The HR department generally plays the central role in planning and implementing corporate downsizing, and taking steps to maintain the morale of the remaining employees. HR also helps employees adapt to the increased pressures in their downsized departments by helping them learn to prioritize tasks and reduce job stress. In making companies better and more competitive, HR can also help make companies faster — more responsive to product and technological innovations, and competitors' moves. For example, downsizing, flattening the pyramid, empowering employees, and organizing around teams — all HR jobs — are aimed at improving communications and making it easier for decisions to be made, so the company can respond more quickly to its customers' needs and its competitors' challenges. At Levi Strauss, for instance, HR helped create the firm's new team-based alternative manufacturing system. This system ties employees' compensation incentives to team goals and, along with Levi's new flexible-hours program, helps inject more flexibility into the firm's production process.

1.4.3 HR and Corporate Strategy

The most striking change in HR's role today is its growing involvement in developing and implementing the company's strategy. Today strategies increasingly depend on strengthening organizational competitiveness and on building committed work teams, and these put HR in a central role. We've seen that in a fast-changing, globally competitive and quality-oriented industrial environment, it's often the firm's employees—its human resources—who provide the competitive key. It is thus now increasingly common to involve HR in the earliest stages of developing and implementing the firm's strategic plan, rather than to let HR react to it.

1.4.4 HR as a Competitive Advantage

In today's competitive global marketplace, maintaining a competitive advantage puts a premium on having a committed and competent workforce. Low-cost, high-quality cars like Toyotas and Saturns aren't just a product of sophisticated automated machines. Instead they're a result of committed employees all working hard to produce the best cars that they can at the lowest possible cost.



Discussion

What is meant by strategic human resource management and what exactly is HR's role in the strategic planning process?

1.5 Strategic Human Resource Management

The fact that employees today can be a competitive advantage has led to the growth of a new field known as strategic human resource management. Strategic human resource management has been defined as “the linking of HRM with strategic goals and objectives in order to improve business performance and develop organizational cultures that foster innovation and flexibility.” Strategic HRM means accepting the HRM function as a strategic partner in both the formulation of the company's strategies, as well as in the implementation of those strategies through HR activities such as recruiting, selecting, training, and rewarding personnel.

1.5.1 HR's Role as a Strategic Partner

HR management is an equal partner in the strategic planning process. HR management's role is not just to tailor its activities to the demands of business strategy, nor, certainly, just to carry out operational day-to-day tasks like ensuring that employees are paid. Instead, the need to forge a company's workforce into a competitive advantage means that human resource management must be an equal partner in both the formulation and the implementation of the company's organization-wide competitive strategies.

1.5.2 HR's Role in Formulating Strategy

Formulating a company's overall strategic plan requires identifying, analyzing, and balancing two sets of forces — the company's external opportunities and threats on the one hand, and its internal strengths and weaknesses on the other. HR management can play a role in what strategic planners call environmental scanning, identifying and analyzing external opportunities and threats that may be crucial to the company's success. HR management can also supply competitive intelligence that may be useful as the company formulates its strategic plans. Details regarding new incentive plans being used by competitors, opinion survey data from employees that provide information about customer complaints, and information about pending legislation like laws or mandatory health insurance are some examples. HR also



participates in the strategy formulation process by supplying information regarding the company's internal strengths and weaknesses.

1.5.3 HR's Role in Executing Strategy

Strategy execution has traditionally been the “bread and butter” of HR's strategy role. For example, Federal Express's competitive strategy is to differentiate itself from its competitors by offering superior customer service and guaranteed on-time deliveries. It's FedEx's workforce who necessarily provide FedEx with a crucial competitive advantage by creating a highly committed, competent, and customer-oriented workforce. HR management supports strategic implementation in other ways. For instance, HR is involved in the execution of most companies' downsizing and restructuring strategies, through out-placing employees, instituting pay-for-performance plans, reducing health care costs, and retraining employees.

1.6 Competencies of the Human Resource Manager

Human resource manager will need to acquire a complementary set of competencies as follows.

1) Business mastery. HR professionals need to know the business of their organization thoroughly. This requires an understanding of its economic and financial capabilities so that they can “join the team” of business managers. It also requires that HR professionals develop skills at external relations focused on their customers.

2) HR mastery. HR professionals are the organization's behavioral science experts. In areas such as staffing, development, appraisal, rewards, team building and communication, HR professionals should develop competencies that keep them abreast of changes.

3) Change mastery. HR professionals have to be able to manage change processes so that HR activities are effectively merged with the business needs of the organization. This involves interpersonal and problem-solving skills, as well as innovativeness and creativity.

4) Personal credibility. HR professionals must establish personal credibility in the eyes of their internal and external customers. Credibility and trust are earned by developing personal relationships with customers, by demonstrating the values of the firm, by standing up for one's own beliefs, and by being fair-minded in dealing with others.

The ability to integrate business, HR, and change competencies is essential. By helping their organizations build a sustained competitive advantage and by learning to manage many activities well, HR professionals are becoming full business partners.

Closing Case Study



Sands Corporation is a medium-sized company located in the Midwest America. It manufactures specialized computer equipment used in cars, serving as a subcontractor to several automobile manufacturers as well as to the military. Federal contracts are an important part of Sands' total sales. In 1965 the firm had 130 employees. At that time, the personnel department had a full-time director and a part-time clerk. The department was responsible for maintaining files, placing recruitment ads in the newspaper at management's request, processing employment applications and payroll, answering phones, and handling other routine administrative tasks. Managers and supervisors were responsible for most personnel matters, including whom to hire, whom to promote, whom to fire, and whom to train.

Today Sands employs 700 people. Personnel, now called the Human Resources department, has a full-time director with a master's degree in industrial relations, three specialists, and four personnel assistants. Sands' top management believes that a strong HR department with a highly qualified staff can do a better job of handling most personnel matters than line supervisors can. It is also convinced that a good HR department can keep line managers from inadvertently creating costly legal problems. One of Sands' competitors recently lost a \$ 5 million sex discrimination suit, which has only strengthened Sands' resolve to maintain a strong HR department.

Some of the key responsibilities the company assigns to its HR department are:

- Hiring. The HR department approves all ads, screens all applicants, tests and interviews candidates, and so forth. Line supervisors are given a limited list of candidates.
- Workforce diversity. The HR department ensures that the composition of Sands' workforce meets the governments' diversity guidelines for federal contractors.

- Compensation. The HR department sets the pay range for each job based on its own compensation studies and survey data of salaries at similar companies. The department must approve all pay decisions.
- Employee appraisal. The HR department requires all supervisors to complete annual appraisal forms on their subordinates. The department scrutinizes these appraisals of employees' performance closely; it is not uncommon for supervisors to be called on the carpet to justify performance ratings that are unusually high or low.
- Training. The HR department conducts several training programs for employees, including programs in improving human relations, quality management, and the use of computer packages.
- Attitude surveys. The HR department conducts an in-depth attitude survey of all employees each year, asking them how they feel about various facets of their job, such as satisfaction with supervisors and working conditions.

Over the past few weeks several supervisors have complained to top executives that the HR department has taken away many of their management rights. Some of their gripes are:

- The HR department ranks applicants based on test scores or other formal criteria. Often the people they pick do not fit well in the department and / or do not get along with the supervisor and coworkers.
- Excellent performers are leaving because the HR department will not approve pay raises exceeding a fixed limit for the job title held, even when a person is able to perform duties beyond those specified in the job description.
- It takes a long time to process the paperwork to hire new employees that the unit loses good candidates to competitors.
- Much of the training required of employees is not focused on the job itself. These "canned" programs waste valuable employee time and provide few benefits to the company.
- Supervisors are afraid to be truthful in their performance ratings for fear of being investigated by the HR department.
- Attitude survey data are broken down by department. The HR department then scrutinizes departments with low scores. Some supervisors feel that the attitude survey has become a popularity contest that penalizes managers who are willing to make necessary decisions.

The HR department director rejects all of these accusations, arguing that supervisors “just want to do things their way, not taking into account what is best for the company”.



Question

1. What seems to be the main source of conflict between supervisors and the HR department at Sands Corporation? Explain.
2. Do you believe that managers should be given more autonomy to make personnel decisions such as hiring, appraising, and compensating subordinates? If so, what are some potential drawbacks to granting them this authority? Explain.
3. How should Sands' top executives deal with the complaints expressed by supervisors? How should the director of the HR department deal with the situation? Explain.

To achieve a grade A your work must show; (Distinction)	<ul style="list-style-type: none"> ■ A coherent understanding of the HRM. ■ A coherent understanding of the changing role of HRM. ■ Proper format of the text or document. ■ Grammar and spelling are correct.
To achieve a grade B your work must show; (Merit)	<ul style="list-style-type: none"> ■ A coherent understanding of the HRM. ■ A coherent understanding of the changing role of HRM. ■ Proper format of the text or document. ■ No more than 2 minor mistakes.
To achieve a grade C your work must show; (Pass)	<ul style="list-style-type: none"> ■ A sufficient understanding of the HRM. ■ A sufficient understanding of the changing role of HRM.
D (Failed)	<ul style="list-style-type: none"> ■ Incomplete understanding of the HRM. ■ Improper format in text or document production. ■ More than 4 major mistakes.

