

CHAPTER

1

Changing Nature of Human Resource Management

After you have read this chapter, you should be able to:

- Define human capital and explain its importance.
- Identify the seven categories of HR activities.
- Describe how the major roles of HR management are being transformed.
- Discuss four challenges facing HR today.
- Identify the purposes and uses of HR technology.
- Discuss why ethical issues affect HR management.
- Explain the key competencies needed by HR professionals and why certification is important.

HR Headline

Why HR Is Not Always Respected



Many people in organizations do not like how their human resource (HR) departments operate. Some argue that HR is at best a necessary evil—at worst a bureaucratic force that routinely enforces unnecessary detailed rules, resists creativity, and impedes needed changes. Common criticisms include: Why are performance appraisals so useless? Why is HR always involved in cutting payroll and benefits expenditures at the command of the chief financial officers, which leads to higher employee turnover rates?

HR management is necessary of course, especially due to the huge number of government regulations enacted over the past decades. Legal requirements are complex in nature and HR must be cautious. This role of protecting corporate assets against the never-ending lawsuits often puts HR in the role of being the “bad cop.” But many managers wonder why HR insists on treating everyone equally, which often leads to protecting poor performers rather than aiding retention of high performers.

Ideally, HR should be finding the best hires, nurturing the stars, and enhancing a productive work environment. Instead, too often HR departments concern themselves with the administrivia of personnel policies and practices—which companies are increasingly outsourcing to contractors who can do them more cheaply and more efficiently. Frequently, HR managers are seen as more concerned about *activities* than *results*. They tell how many people were hired, the number of performance appraisals completed, and

whether employees are satisfied with their orientation sessions. But too seldom does HR link those details to employee, managerial, and business performance measurement and metrics.

Despite many of these criticisms, there is evidence that HR *can be* respected if done well. Hunter Douglas, Yahoo!, Cardinal Health, Procter & Gamble, Pitney Bowes, Goldman Sachs, General Electric, and others truly bring HR into the realm of business strategy. HR can and should be a special part of any organization, which means viewing the people and their talents as an opportunity for creating greater organizational competitive advantages. But in many companies, that opportunity is seen by managers and employees as wasted, and that is why HR is not highly respected. Clearly, HR needs to change even more to overcome its current image.¹

Human Resource (HR) management Designing management systems to ensure that human talent is used effectively and efficiently to accomplish organizational goals.

As a field, human resource management is undergoing significant transformation. **Human resource (HR) management** is designing management systems to ensure that human talent is used effectively and efficiently to accomplish organizational goals. Whether employees are in a big company with 10,000 positions or a small non-profit agency with 10 positions, employees must be recruited, selected, trained, and managed effectively. They also must be adequately and competitively compensated, and many will be given a range of benefits. Additionally, appropriate and legal HR systems are needed to comply with numerous legal requirements. In an environment in which the workforce keeps changing, laws and the needs of employers change too. Therefore, HR management activities continue to change and evolve.

However, as the HR Headline suggests, managing people in an organization is about more than simply administering a pay program, designing training, or avoiding lawsuits.² If human resources are to be an important part of successfully competing in the marketplace, a different level of thinking about HR management is necessary. Productive, creative people working in a flexible, effective organization that provides rewarding work with an earned reputation as an excellent employer should be the goal. However, too often HR managers and professionals primarily concentrate on HR *activities* such as job analysis or safety training—and those things certainly *do* need to be done. But today, a traditional activities approach to HR is necessary but insufficient. Part of the newer thinking is to treat people as part of the capital assets of the firm.

HUMAN CAPITAL IN ORGANIZATIONS

In all organizations there are many resources that affect organizational performance. Organizations must manage four types of assets:

- *Physical*: Buildings, land, furniture, computers, vehicles, equipment, etc.
- *Financial*: Cash, financial resources, stocks, financial securities, etc.
- *Intangible*: Specialized research capabilities, patents, information systems, designs, operating processes, etc.
- *Human*: Individuals with talents, capabilities, experience, professional expertise, relationships, etc.

All these assets are crucial in varying degrees in different organizations. But the human assets are the “glue” that holds all the other assets together and guides their use to achieve results.³ Certainly, the cashiers, supervisors, and other employees at Wendy’s or Lowe’s or the doctors, nurses, receptionists, technical professionals, and other employees at a hospital allow all the other assets of their organization to be used to provide customer or patient services. Effective use of the firm’s human capital may explain as much as 43% of the difference in higher market value between one company and another.⁴

Human Capital and HR

Human capital The collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organizational workforce.

Human capital is not solely the people in organizations—it is what those people bring and contribute to organizational success. **Human capital** is the collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organizational workforce.

Sometimes it is called *intellectual capital* to reflect the thinking, knowledge, creativity, and decision making that people in organizations contribute. For example, firms with high intellectual capital may have technical and research employees who create new biomedical devices, formulate pharmaceuticals that can be patented, and develop new software for specialized uses. All these organizational contributions illustrate the potential value of human capital.



Measuring the Value of Human Capital A fundamental question is whether better human capital management strategies create higher market values for companies, or whether financially successful companies have more resources to allocate to human capital initiatives. Research by Watson Wyatt on 750 large U.S., Canadian, and European firms concludes that superior human capital practices are a leading indicator of increased shareholder value rather than the reverse. Hiring the right people, supporting their creative thinking and productivity, and leveraging it all with the right technology seems to build superior business performance and shareholder value.⁵

In the United States, firms spend nearly twice as much as European firms on employee salary and benefits. Yet a ratio of pretax profit divided by compensation and benefit costs (Dollars of profit ÷ Dollars paid to employees) shows a “Human Capital Return on Investment” of 1.52 in the United States versus 1.14 for Europe. The interpretation of this difference is as follows: For \$1,000 spent on employees in the U.S. a company returns \$1,520. The same \$1,000 in Europe generates \$1,140. U.S. firms tend to be more flexible with their human capital investments and more likely to use pay-for-performance systems, which explains part of the difference.⁶

The value of human capital in organizations can be seen in various ways. One is sheer costs. In some industries, such as the hospitality industry, employee-related expenditures exceed 60% of total operating costs. With that recognition comes an increasing need to measure how the value of human capital is changing.⁷ One study by Mercer, a global consulting firm, found that most chief financial officers (CFOs) see human capital as a key factor in creating value for shareholders. However, only 16% of the CFOs have calculated the return on human capital investments.⁸ Also, less than half of them assess the value of human capital and its impact on business performance.⁹ The measurement of human capital is discussed more in Chapter 2.

Human Resources as a Core Competency

Core competency A unique capability that creates high value and differentiates an organization from its competition.

The development and implementation of specific organizational strategies must be based on the areas of strength in an organization. Referred to as *core competencies*, those strengths are the foundation for creating a competitive advantage for an organization. A **core competency** is a unique capability that creates high value and differentiates an organization from its competition.

Certainly, many organizations have stated that their human resources differentiate them from their competitors and are a key determinant of competitive advantages. Studies also have documented that HR practices help create competitive advantages. Organizations as widely diverse as FedEx, Nordstrom, and Dell Computer have focused on human resources as having special strategic value for the organization.¹⁰

In small companies the same can be true. For example, small community banks have added numerous small- and medium-sized commercial loan customers because those banks emphasize that their customers can deal with the same employees directly every time they need help, rather than having to call an automated service center in another state, which occurs with some larger nationwide banks. This focus of community banks is on developing and retaining human resources to give competitive advantage with commercial and retail customers and using people as a core competency.

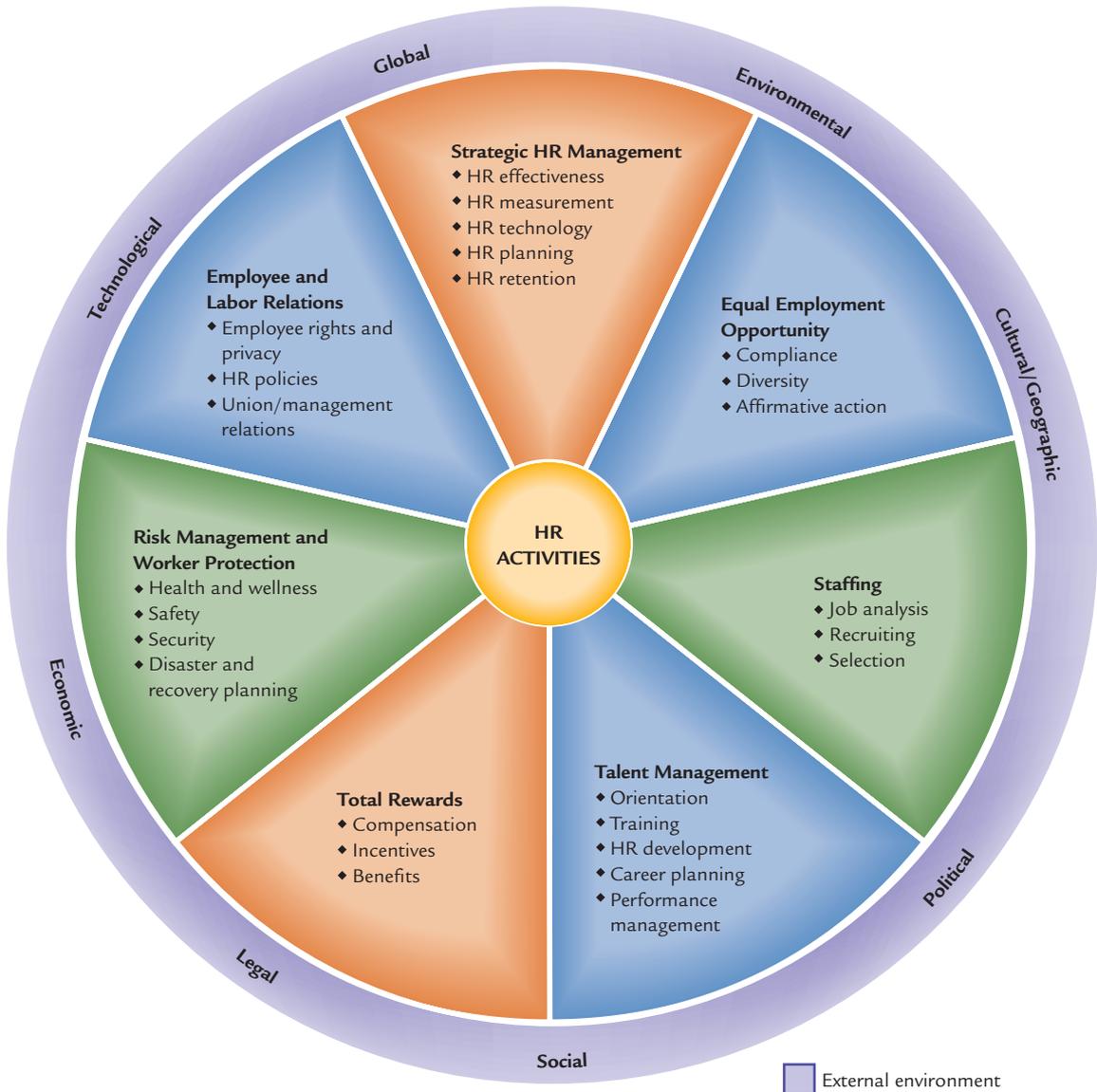
HR ACTIVITIES

One aspect of getting the greatest contributions from human capital in an organization requires that a fit be made with how people are treated and the long-term effect on the company's bottom line. The way that happens is through HR activities that are based on research, best practices, and continuing enhancement of HR efforts.

HR management can be thought of as seven interlinked activities taking place within organizations, as depicted in Figure 1-1. Additionally, external forces—legal, economic, technological, global, environmental, cultural/geographic, political, and social—significantly affect HR activities and how they are designed, managed, and changed. The HR activities are:

- **Strategic HR Management:** As part of maintaining organizational competitiveness, *HR effectiveness* can be increased through the use of *HR measurement* and *HR technology*. Through *HR planning*, managers anticipate the future supply of and demand for employees. An additional strategic HR concern is the *retention* of employees. All these topics are discussed in Chapters 2 and 3.
- **Equal Employment Opportunity:** *Compliance* with equal employment opportunity (EEO) laws and regulations affects all other HR activities. The *diversity* of a workforce creates additional challenges. For instance, a company must have sufficient diversity to meet *affirmative action* requirements. The nature of EEO and diversity management is discussed in Chapters 4 and 5.
- **Staffing:** The aim of staffing is to provide a sufficient supply of qualified individuals to fill jobs in an organization. *Job analysis* lays the foundation for staffing by identifying what people do in their jobs. These analyses are used when *recruiting* applicants for job openings. The *selection* process is concerned with choosing qualified individuals to fill those jobs. Staffing activities are discussed in Chapters 6, 7, and 8.

FIGURE 1-1 HR Management Activities



- **Talent Management and Development:** Beginning with the *orientation* of new employees, talent management and development includes different types of *training*. Also, *HR development* of employees and managers is necessary to prepare for future challenges. *Career planning* identifies paths and activities for individual employees as they move within the organization. Assessing how well employees perform their jobs is the focus of *performance management*. Activities associated with talent management are examined in Chapters 9, 10, and 11.
- **Total Rewards:** *Compensation* in the form of *pay*, *incentives*, and *benefits* rewards people for performing organizational work. To be competitive, employers develop and refine their basic *compensation* systems and may

use *variable pay programs* such as gainsharing and productivity rewards. The rapid increase in the cost of benefits, especially for health-care benefits, will continue to be a major issue for most employers. Compensation, variable pay, and benefits activities are discussed in Chapters 12, 13, and 14.

- **Risk Management and Worker Protection:** Employers need to address an increasing number of workplace risks to ensure worker protection. For decades employers have had to meet legal requirements and be more responsive to concerns for workplace *health* and *safety*. Also, workplace *security* has grown in importance along with *disaster and recovery planning*. Health, safety, and security activities are examined in Chapter 15.
- **Employee and Labor Relations:** The relationship between managers and their employees must be handled effectively. *Employee rights* and *privacy* issues must be addressed. It is important to develop, communicate, and update *HR policies and procedures* so that managers and employees alike know what is expected. In some organizations, *union/management relations* must be addressed as well. Activities associated with employee rights and labor/management relations are discussed in Chapters 16 and 17.

MANAGING HUMAN RESOURCES IN ORGANIZATIONS

In a real sense, *every* manager in an organization is an HR manager. Sales managers, head nurses, drafting supervisors, college deans, and accounting supervisors all engage in HR management, and their effectiveness depends in part on the success of organizational HR systems. However, it is unrealistic to expect a nursing supervisor or an engineering manager to know about the nuances of equal employment regulations or how to design and administer a compensation and benefits system. For that reason, many organizations have people in an HR department who specialize in these activities. The HR On-the-Job illustrates the HR manager's job with a week of typical activities.

Smaller Organizations and HR Management

In the United States and worldwide, the number of small businesses continues to grow. According to data from the U.S. Small Business Administration (SBA), small businesses employ more than 50% of all private-sector employees and generate 60% to 80% of all net new jobs each year.¹¹

In surveys over several years by the SBA, the issues identified as the greatest concerns in small organizations are consistently: (1) shortages of qualified workers, (2) increasing costs of benefits, (3) rising taxes, and (4) compliance with government regulations. Notice that three of the top four concerns have an HR focus, especially when governmental compliance with wage/hour, safety, equal employment, and other regulations are considered.

As a result, for many smaller organizations HR issues are often significant. But not every organization is able to maintain an HR department. In a company with an owner and only three employees, the owner usually takes care of HR issues. As an organization grows, often a clerical employee is added to

HR ON-THE-JOB

What Do HR Managers Do?

Management of human resources requires a wide range of effects. Here are some of the activities that an HR manager in a 700-employee firm dealt with during one week:

- Met with the CEO and CFO to plan compensation budgets for the following year.
- Discussed with an outside lawyer a racial discrimination complaint by a former employee who had been terminated because of performance problems.
- Negotiated with the provider of health-care insurance benefits to bring a projected 22% increase in premiums down to a 14% increase.
- Reviewed an employee performance appraisal with a supervisor and discussed how to communicate both positive feedback and problem areas.
- Advised an executive on the process for terminating a sales manager whose sales performance and efforts were significantly below the goals set.
- Addressed a manager's report of an employee's accessing pornographic Websites on his company computer.
- Resolved an individual employee complaint about "offensive" comments and insults being made by a co-worker.
- Chaired an employee recognition luncheon.
- Discussed succession plan for the Customer Operations Division, consisting of 400 employees.
- Discussed with the other members of the Executive Leadership Team (the CEO, the CFO, and division heads) an employee staffing plan for the following year and ways to reduce employee turnover.

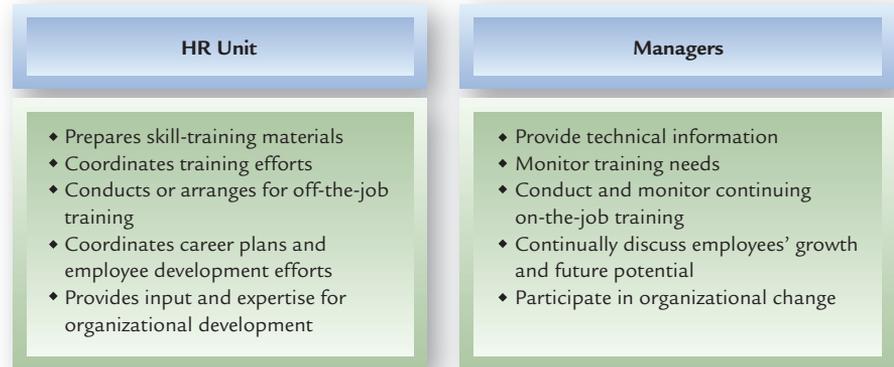
Many other topics were part of this HR manager's job that week. However, this list illustrates one fact: "There are a wide range of issues that are part of the regular work in HR management."

handle payroll, benefits, and required HR recordkeeping. If new employees are hired, supervisors and managers usually do the recruiting, selecting, and training. These HR activities reduce the time that supervisors and managers have to focus on operations, sales and marketing, accounting, and other business areas. At 80 to 100 employees, an organization typically needs to designate a person to specialize in HR management. Other HR jobs are added as the company gets larger and as HR technology increasingly becomes available for small- and medium-sized organizations.¹²

HR Cooperation with Operating Managers

Cooperation between operating managers, such as those in sales and manufacturing, and HR staff is necessary for HR efforts to succeed. In many cases, the HR professionals and staff members design processes and systems that the operating managers must help implement. The exact division of labor between HR and other departments varies from organization to organization.

Throughout this book, figures labeled "Typical Division of HR Responsibilities" illustrate how HR responsibilities in various areas are typically divided in organizations having specialized HR departments. The first such example, Figure 1-2, shows how the responsibilities for a familiar activity—training—might be divided between the HR department and operating managers in an organization.

FIGURE 1-2**Typical Division of HR Responsibilities: Training**

HR MANAGEMENT ROLES

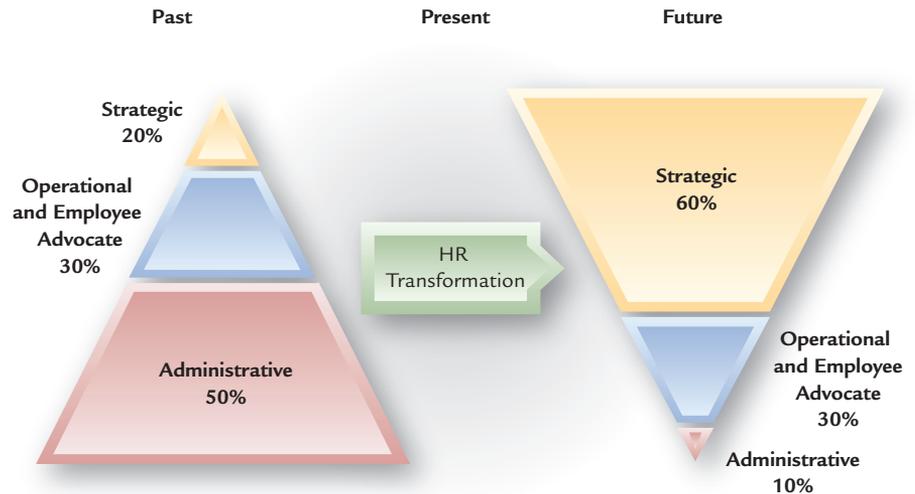
Several roles can be fulfilled by HR management. The nature and extent of these roles depend on both what upper management wants HR management to do and what competencies the HR staff have demonstrated. Three roles are typically identified for HR:

- *Administrative*: Focusing on HR clerical administration and recordkeeping
- *Operational and employee advocate*: Managing most HR activities in keeping with the strategy that has been identified by management and serving as employee “champion”
- *Strategic*: Helping to define the strategy relative to human capital and its contributing to organizational results

The administrative role traditionally has been the dominant role for HR. However, as Figure 1-3 indicates, a significant transformation in HR is occurring. The HR pyramid is being turned upside down so that significantly less HR time and fewer HR staff are used for clerical administration. Notice in Figure 1-3 that the percentage of emphasis on the operational and employee advocate role is remaining constant. The greatest challenge is for HR to devote more emphasis to strategic HR management. A study by Towers-Perrin, a large consulting firm, found that HR is being pressured to change because of four critical business issues identified by senior HR managers: cost-reduction pressures, business restructuring, broadscale downsizing/layoffs, and globalization of business.¹³ A look at each of the roles of HR and how they are being transformed follows.

Administrative Role of HR

The administrative role of HR management has been heavily oriented to processing and recordkeeping. This role has given HR management in some organizations the reputation of being staffed by paper shufflers who primarily tell managers and employees what cannot be done. If limited to the administrative

FIGURE 1-3**Changing Roles of HR Management**

Note: Example percentages are based on various surveys.

role, HR staff are seen primarily as clerical and lower-level administrative aides to the organization. Two major shifts driving the transformation of the administrative role are greater use of technology and outsourcing.

Technology Transforming HR To improve the administrative efficiency of HR and responsiveness of HR to employees and managers, more HR functions are becoming available electronically or are being done on the Internet. Web-based technology is reducing the amount of HR administrative time and staff needed. Technology is being used in all HR activities, from employment application and employee benefits enrollment to e-learning using Internet-based resources. Later in this chapter there is more discussion on the nature, types, and uses of HR technology.

Outsourcing of HR Increasingly, many HR administrative functions are being outsourced to vendors. Outsourcing of HR administrative activities has grown dramatically with the value of outsourcing contracts tripling recently, and there are projections of large increases occurring over the next several years.¹⁴ The HR areas most commonly outsourced are employee assistance (counseling), retirement planning, benefits administration, payroll services, and outplacement services.¹⁵

The primary reasons why HR functions are outsourced is to save money on HR staffing, to take advantage of specialized vendor expertise and technology, and to be able to focus on more strategic HR activities. These activities are being outsourced to firms both in the United States and worldwide. For example, a major firm offering administrative services for retirement benefits is using a customer service center on a Caribbean island to answer questions from employees of a number of large U.S. firms. Estimates have been that outsourcing arrangements such as that save employers 30% or more on labor costs.

However, there have been some problems with outsourcing HR activities as well. The 30% cost savings does not always materialize because the process has been more complex than initially imagined.¹⁶ For example, Marathon Oil

in Houston outsourced its recruiting process, then demand grew rapidly for petroleum engineers, geologists, and other skilled positions. The outsourcing firm fell behind in meeting the company's needs. After examining its options, Marathon returned the recruiting function to internal control.¹⁷

There is apparently general satisfaction with outsourcing benefits, payroll, and information systems administration. But the “judgment services” or the more strategic parts of HR, such as compensation, recruiting, and performance management, are more likely to be less successfully outsourced.¹⁸ However, the idea that even those HR functions should *not* be outsourced, is not held by everyone; for instance, DuPont outsources performance management and employee development.¹⁹ Such contracting for HR services is an evolving practice that promises to change the administrative HR functions for many employers.²⁰

Operational and Employee Advocate Role for HR

HR often has been viewed as the “employee advocate” in organizations. As the voice for employee concerns, HR professionals traditionally have been seen as “company morale officers” who do not understand the business realities of the organizations and do not contribute measurably to the strategic success of the business.

HR professionals spend considerable time on HR “crisis management” dealing with employee problems that are both work and non-work related. Employee advocacy helps ensure fair and equitable treatment for employees regardless of personal background or circumstances. Sometimes the HR advocate role may create conflict with operating managers. However, without the advocate role, employers would face even more lawsuits and regulatory complaints than they do now.

The operational role requires HR professionals to cooperate with operating managers, to identify and implement needed programs and policies in the organization. Operational activities are tactical in nature. Compliance with equal employment opportunity and other laws is ensured, employment applications are processed, current openings are filled through interviews, supervisors are trained, safety problems are resolved, and wage and benefit questions are answered. These efforts require matching HR activities with the strategies of the organization. However, HR often does not help formulate strategies for the organization as a whole; instead it merely carries them out through HR activities.

Strategic Role for HR

Differences between the operational and strategic roles exist in a number of HR areas. As shown in Figure 1-4, the strategic HR role requires that HR professionals be proactive in addressing business realities and focusing on future business needs, such as workforce planning, compensation strategies, and the performance of HR.

Many executives, managers, and HR professionals increasingly see the need for HR management to become a greater strategic contributor to the “business” success of organizations. Even not-for-profit organizations, such as governmental and social service entities, must manage their human resources in a “business-oriented” manner. In fact, it has been suggested that the HR function should be managed as its own

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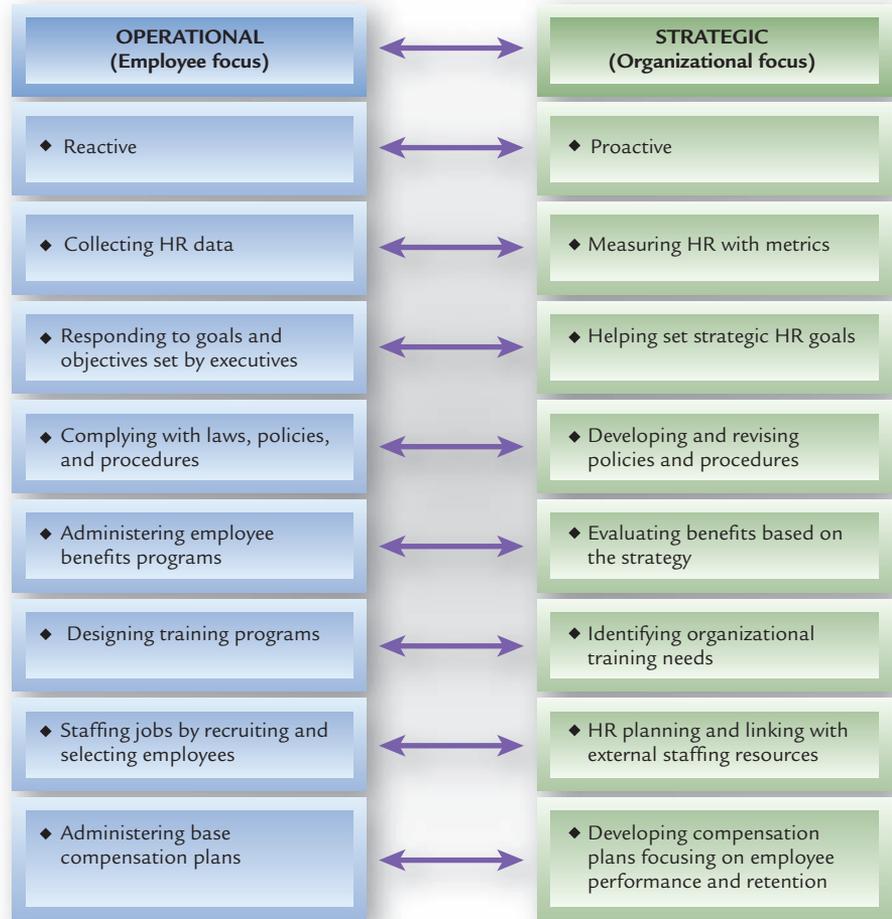
HR Executive

Information on strategic issues for HR, including news and success stories for key HR decision makers, is available by linking to the HR Executive On-Line site at: <http://thomsonedu.com/management/mathis>.



FIGURE 1-4

Operational to Strategic Transformation of HR



“business.” HR should be responsible for knowing what the true cost of human capital is for that employer. For example, it may cost two times key employees’ annual salaries to replace them if they leave. Turnover is something HR can help control, and if it is successful in saving the company money with good retention management strategies, those are contributions to the bottom line.²¹

“Contributing at the Table” The role of HR as a *strategic business partner* is often described as “having a seat at the table,” and contributing to the strategic directions and success of the organization. That phrase means HR is involved in *devising* strategy in addition to *implementing* strategy.²² For instance, at Target, a large retailer, HR is accountable for workforce planning, staffing, and employee retention, all of which affect customer service in Target stores.²³

At a much smaller firm, Wegman’s Food Markets in New York, HR is focusing on controlling benefit costs by educating employees about increasing their use of generic drugs, which has cut the firm’s prescription drug costs while preserving benefits for employees.²⁴ However, even though this role of HR is recognized, many organizations still need to make significant progress

toward fulfilling it. Some examples of areas where strategic contributions should be made by HR are as follows:

- Evaluating mergers and acquisitions for organizational “compatibility,” structural changes, and staffing needs
- Conducting workforce planning to anticipate the retirement of employees at all levels and identify workforce expansion in organizational strategic plans
- Leading site selection efforts for new facilities or transferring operations to international outsourcing locations based on workforce needs
- Instituting HR management systems to reduce administrative time and staff
- Working with executives to develop a revised sales compensation and incentives plan as new products/services are rolled out to customers

CURRENT HR MANAGEMENT CHALLENGES

As the way HR is managed in organizations changes, some challenges are affecting all employers. Responding effectively requires a competent HR presence to deal with them.²⁵ The environment faced by organizations and their managers is also changing. A force affecting the management of human resources is the *globalization of business*, as evidenced by international outsourcing and global competitive pressures. Other challenges include significant changes in *economic forces* and the rapid growth in *technology* that have changed how people work. *Changing demographics* in the workforce are significantly affecting management, particularly with the increase in the diversity of employees and the aging of the workforce in many countries. All of these factors and others are combining to put more *cost pressures* on organizations. Consequently, employers in many industries have reduced the number of jobs and employees as part of *organizational restructuring*. A look at some of these challenges for HR follows.

Globalization of Business

The internationalization of business has proceeded at a rapid pace. Many U.S. firms, both large and small, receive a substantial portion of their profits and sales from other countries. Firms such as Coca-Cola, Exxon, Mobil, Microsoft, Ford, and General Electric derive half or more of total sales and profits outside the United States. The reverse is also true. For example, Toyota, based in Japan, is growing its market share and its number of jobs in the United States, and North American sales provide 70% of its profits worldwide.²⁶ Also, Toyota, Honda, Nissan, and other Japanese automobile manufacturers, electronics firms, and suppliers have expanded their operations in the United States.

The globalization of business has shifted from trade and investment to the integration of global operations, management, and strategic alliances, which has significantly affected the management of human resources. Attracting global talent has created political issues. For instance, U.S. employers are having a difficult time hiring enough engineers and educated tech workers, but Congress is restricting the quota for high-skilled workers to be admitted from other countries in light of the large amount of illegal immigration that is occurring.²⁷

The HR profession is changing under the force of globalization.²⁸ Ethical issues and difficult adjustments for countries are



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Human Resource Management in the News

HRM in the News is South-Western's service to provide summaries of the latest human resource management news stories. For news stories on the globalization of human resources, link to their site at: <http://thomsonedu.com/management/mathis>.



HR PERSPECTIVE

Globalization Affecting German Companies

Globalization is affecting HR management in many industries in countries throughout the world, not just in the United States. One illustration is seen in Germany, where worldwide free-market capitalism has created challenges for German employers traditionally known for providing high wages but being part of a rigid labor market. German firms have avoided as long as possible the impact of global competition that requires costs to be kept under control or sales will be lost to producers who can make the same product and charge less. Consider Grohe Water Technology AG, a medium-sized German firm that makes upscale faucets and showers.

After World War II, Germany built an economy designed to harness the power of capitalism while smoothing out its harsher effects. Most people worked for family-owned businesses like Grohe that provided generous pay, training, and time-off benefits. However,

in the 1970s the high payroll taxes needed to fund the generous welfare and pension benefits caused companies to defer job creation, which meant that German unemployment rates continued to rise. Also, many competitors of Grohe had already shifted production operations to lower wage areas. For instance, the average worker in Germany costs €51,000 per year, while workers in Portugal cost only one-third as much and those in Thailand one-tenth as much. Thus, Grohe is likely to be less successful if it doesn't cut costs.

The unions representing most Grohe workers contend that the firm is doing fine, but that viewpoint may be unrealistic given what is occurring in the global economy. The employees do not want to reduce their pay levels, benefits, or the number of jobs. Yet the "invisible hand" of competition will continue to affect Grohe and other German companies unless they can raise productivity and cut costs.³⁰

occurring in many areas.²⁹ As the HR Perspective shows, firms in countries such as Germany are facing major HR pressures.

Moving jobs to countries with lower labor rates, such as China, Thailand, or India, is another indication of the globalization of HR. Employers in many developed countries are offshoring jobs, usually to cut costs.³¹ Offshoring of jobs affects not only the number of jobs in both countries involved, but the occupations and skills needed as well.³² The final effect is complex, but the following distinctions in terminology can be made³³:

Off-shoring U.S. businesses contracting out activities to unaffiliated companies or their affiliates in another country.

In-shoring Foreign businesses shifting activities to the United States.

Outsourcing Businesses contracting out activities to unaffiliated companies either at home or abroad.

- **Offshoring:** U.S. businesses contracting out activities to unaffiliated companies or their affiliates in another country
- **In-shoring:** Foreign businesses shifting activities to the United States
- **Outsourcing:** Businesses contracting out activities to unaffiliated companies either at home or abroad

Whenever international outsourcing occurs, HR management should be involved to ensure the appropriate consideration of various laws, cultural factors, and other issues.³⁴

Global Security and Terrorism Another global challenge for international employers is the threat of terrorism. Following the terrorist attacks of September 11, 2001, firms around the world had to develop terror response and security plans. International firms in many industries have dramatically increased security for both operations and employees. Terrorist threats and incidents have significantly affected airlines, travel companies, construction firms, and even retailers such as McDonald's. HR management must respond to such concerns as part of transnational operations and risk management efforts.

Economic and Technological Changes

Several changes are discussed next.

Occupational Shifts A major change is the shift of jobs from manufacturing and agriculture to service and telecommunications. In general, the U.S. economy has become predominantly a service economy, and that shift is expected to continue. More than 80% of U.S. jobs are in service industries, and most new jobs created by 2014 will also be in services.³⁵ Projections of growth in some jobs and decline in others illustrate the shifts occurring in the U.S. economy. Figure 1-5 lists occupations that are expected to experience the greatest growth in percentage and numbers for the period ending in 2014. Most of the fastest-growing occupations percentage-wise are related to health care. The anticipated increase in the growth in health-care jobs is primarily due to the demands of an aging population. In contrast, many of the fastest-growing jobs in terms of numbers are in lower-skilled service fields.

Workforce Availability and Quality Concerns Many parts of the United States face significant workforce shortages that exist due to an inadequate supply of workers with the skills needed to perform the jobs being added. It is not that there are too few people—only that there are too few with many of the skills being demanded. For instance, a study of U.S. manufacturing firms revealed that about 80% of them have been experiencing a moderate to serious shortage of qualified specialized workers. The primary reasons were shifting demographics, the negative image of the manufacturing industry, and inadequately educated U.S. workers.³⁶

Even though many Americans are graduating from high school (84% over age 25 have high school diplomas) and from college (almost 26% over age 25 now have college degrees), employers are concerned about the preparation and specific skills of new graduates. Comparisons of international test results show that students in the United States perform slightly above average in math and science, but *well below* students in some other directly competitive nations. Also, graduates with degrees in computers, engineering, and the health sciences

FIGURE 1-5

Fastest Growing Jobs to 2014

Percentage Increase in Jobs		Increase in Job Numbers	
Medical assistants	59%	Retail sales workers	736,000
Network analysts	57%	Registered nurses	703,000
Social service assistants	49%	Post-secondary teachers	524,000
Physician's assistants	49%	Customer service representatives	471,000
Home health aides	48%	Janitors	440,000
Medical records technicians	47%	Waiters/servers	376,000

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Workforce Information Council

The Workforce Information Council provides a wide variety of information on labor market trends and conditions, including job outlook and wages and skill requirements of jobs. Visit their site at: <http://thomsonedu.com/management/mathis>.



remain in short supply relative to the demand for them. That is another reason why international outsourcing has grown. Unless major improvements are made to U.S. educational systems, U.S. employers will be unable to find enough qualified workers for the growing number of skilled jobs of all types.

Growth in Contingent Workforce *Contingent workers* (temporary workers, independent contractors, leased employees, and part-timers) represent more than 20% of the U.S. workforce. Many employers operate with a core group of regular employees who have critical skills, and then expand and shrink the workforce through the use of contingent workers.

The use of contingent workers has grown for many reasons. A significant one is that many contingent workers are paid less and/or receive fewer benefits than regular employees. Omitting contingent workers from health-care benefits saves some firms 20% to 40% in labor costs. Another reason for the increased use of contingent workers is that doing so may reduce legal liability for employers. As more and more employment-related lawsuits are filed, some employers have become more wary about adding regular full-time employees. By using contract workers, employers reduce the number of legal issues they face regarding selection, discrimination, benefits, discipline, and termination.

Technological Shifts and the Internet Globalization and economic shifts have been accelerated by technological changes, with the Internet being a primary driver. The explosive growth in information technology and in the use of the Internet has driven changes in jobs and organizations of all sizes. For employees and managers, technology means always being “available.” Cell phones, wireless networks for laptop computers, and personal digital organizers allow many workers to be always “on call.” Technology is also enabling more people to work from home and at night and during weekends. This technology is resulting in more weekly hours worked and more stress on balancing work and personal lives. Further, organizations have to deal with the management of “virtual employees,” who may not be working on-site, and of employees and vendors in other countries.

Workforce Demographics and Diversity

The U.S. workforce has been changing dramatically. It is more diverse racially and ethnically, more women are in it than ever before, and the average age of its members is now considerably older. As a result of these demographic shifts, HR management in organizations has had to adapt to a more varied labor force both externally and internally.

Racial/Ethnic Diversity Racial and ethnic minorities account for a growing percentage of the overall labor force, with the percentage of Hispanics equal to or greater than the percentage of African Americans. Immigrants will continue to expand that growth. An increasing number of individuals characterize themselves as *multi-racial*, suggesting that the American “melting pot” is blurring racial and ethnic identities.

Racial/ethnic diversity has created greater cultural diversity as well because of its accompanying differences in traditions, languages, religious practices, etc. For example, global events have increased employers’ attention to individuals who are Muslim, and more awareness and accommodation for Islamic religious beliefs and practices have become a common concern.

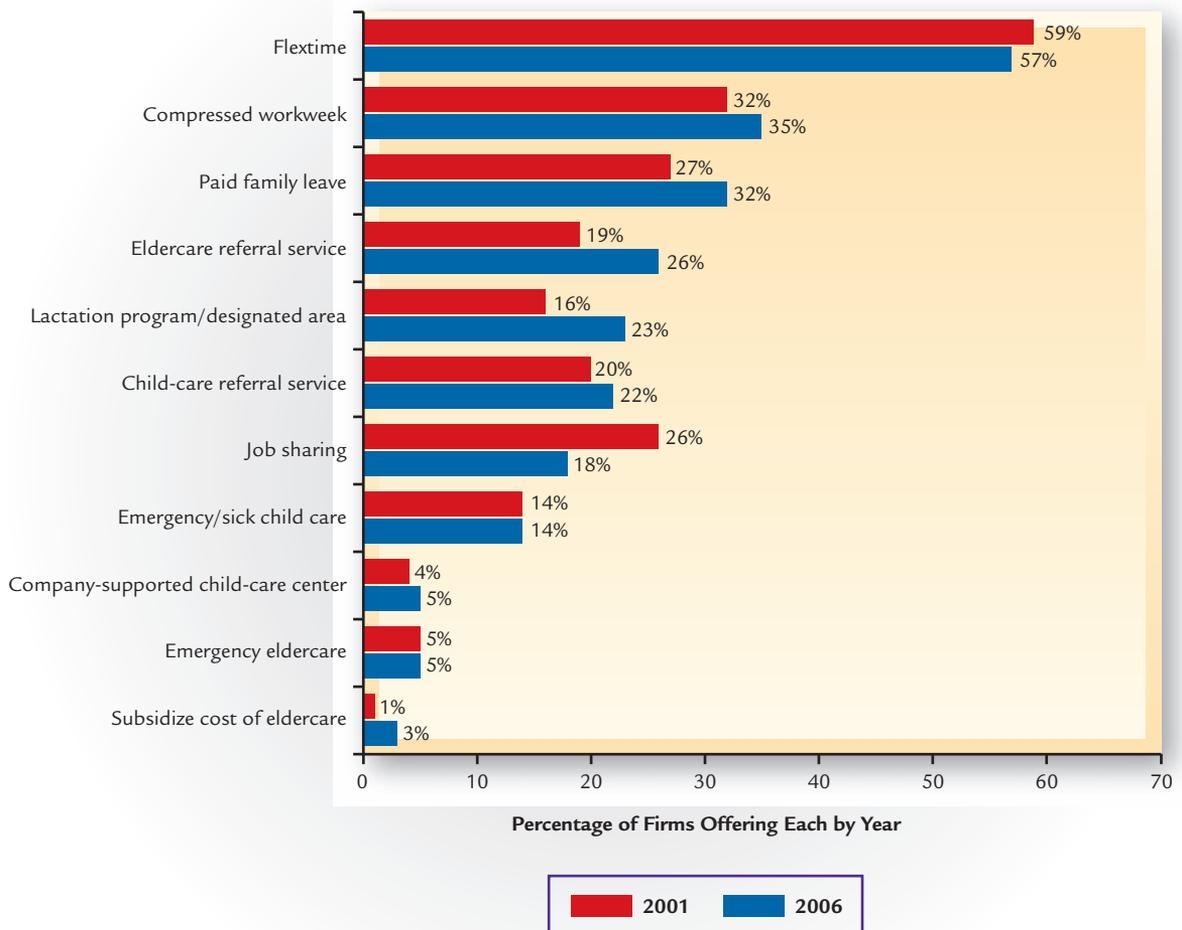
Women in the Workforce Women constitute about 47% of the U.S. workforce.³⁷ Many women workers are single, separated, divorced, or widowed, and therefore are “primary” income earners. Many women who are married have spouses who are also employed. A growing number of U.S. households include “domestic partners,” who are committed to each other though not married and who may be of the same or the opposite sex.

For many workers in the United States, balancing the demands of family and work is a significant challenge. Although that balancing has always been a concern, the increased number of working women and dual-career couples has resulted in greater tensions for many workers, both male and female. Employers have had to respond to work/family concerns in order to retain employees. Responses have included greater use of flexible hours, job sharing, the establishment of child-care referral services or on-site child-care facilities, and more flexible leave programs.³⁸ Figure 1-6 shows changes in family friendly benefits during the past few years.

Aging Workforce In many economically developed countries, the population is aging, resulting in a significantly aging workforce. In the United States, during the next decade a significant number of experienced employees will

FIGURE 1-6

Family-Friendly Benefit Offerings



Source: Adapted from *Benefits Survey Report* (Alexandria, VA: Society for Human Resource Management, 2006).

be retiring, changing to part-time, or otherwise shifting their employment. Replacing the experience and talents of longer-service workers is a growing challenge facing employers in all industries.

Overall, the growing diversity and aging of the workforce are creating more tensions and a greater likelihood of individuals filing employment discrimination complaints against employers. Therefore, employers are having to devote more time and effort to ensuring that non-discriminatory policies and practices are followed. Training on diversity issues and the effective management of diversity issues in organizations are getting more attention.

Organizational Cost Pressures and Restructuring

An overriding theme facing managers and organizations is to operate in a “cost-less” mode, which means continually looking for ways to reduce costs of all types—financial, operations, equipment, and labor. Pressures from global competitors have forced many U.S. firms to close facilities, use international outsourcing, adapt their management practices, increase productivity, and decrease labor costs in order to become more competitive. The growth of information technology, particularly that linked to the Internet, has influenced the number, location, and required capabilities of employees.

A familiar example is Wal-Mart, the giant retailer, whose corporate strategy is providing the lowest prices to customers. As a result, Wal-Mart has driven its vendors and suppliers to reduce their costs. One result has been for suppliers to manufacture their goods overseas in order to use cheaper labor rates. Another consequence has been for many suppliers to cut jobs and close factories that were not as cost efficient and productive as foreign competitors. So while Wal-Mart has grown and Wal-Mart’s customers have gotten lower prices, many suppliers and other retailers have had to follow the “cost-less” strategy.³⁹

As part of organizational changes, many organizations have “rightsized” by: (1) eliminating layers of managers, (2) closing facilities, (3) merging with other organizations, and (4) outplacing workers. To improve productivity, quality, and service while also reducing costs, they are redesigning jobs and affecting people. The human cost associated with downsizing has resulted in increased workloads and a “survivor’s mentality” for those employees who remain. Additionally, downsizing often led to loss of employee and customer loyalty, unmet cost savings, and, ultimately, increased turnover of the remaining employees.

These organizational shifts have caused some organizations to reduce the number of employees, while at the same time scrambling to attract and retain employees with different capabilities than were previously needed. To respond to organizational cost pressures and restructurings, as well as the other HR challenges it faces, the use of information technology of all types is transforming HR management.

Internet Research

International Association for Human Resource Management

The International Association for Human Resource Information Management (IHRIM) is the world’s leading clearinghouse for the HRMS industry for information management, systems issues, trends, and technology. Visit their site at: <http://thomsonedu.com/management/mathis>.



HR TECHNOLOGY

Human resource management system (HRMS) An integrated system providing information used by HR management in decision making.

Greater use of technology has led to organizational use of a **human resource management system (HRMS)**, which is an integrated system providing information used by HR management in decision making. This terminology emphasizes that making HR decisions, not just building databases, is the primary reason for compiling data in an information system.

Purposes of an HRMS

An HRMS serves two major purposes in organizations. One relates to administrative and operational efficiency, the other to effectiveness. The first purpose is to improve the efficiency with which data on employees and HR activities are compiled. If automated, many HR activities can be performed more efficiently and quickly and with less paperwork. One survey of about 200 companies found a 60% decline in HR administrative work when employees were given self-service access to HR information and forms through Web-based systems.⁴⁰

A major advantage of implementing an HRMS is that as users access information and input changes, the system will guide them through all the steps of the transaction. An increasing number of firms have HR technology systems that allow employees to access Web-based 401(k) information, and employees and managers are able to make changes to their own data without the assistance of an HR professional.⁴¹

The second purpose of an HRMS is more strategic and is related to HR planning. Having accessible data enables HR planning and managerial decision making to be based to a greater degree on information rather than relying on managerial perceptions and intuition.⁴²

A different use of technology in HR is a “wiki,” which is best known for its use in Wikipedia, a collaborative encyclopedia that anyone can add content to at any time. The Wikipedia is used as a place to get current information on topics that are explained by a wide variety of people. Wikis can be part of HR collaboration efforts and information exchange, as discussed in the HR On-Line.



HR ONLINE

Wikis and Collaborative HR

The growth of the Internet has resulted in creation of a large number of wikis. A *wiki* is a Web page with no formal oversight and no managing editor. Each contributor adds input to the product and revises what is collectively known about the subject. One might suspect such a process would only produce graffiti, but wikis can work well in organizations because well-intentioned users can provide a wide range of insights and useful information.

For employers, wikis and other technology have led to creation of collaborative networks to foster the exchange of ideas and information among a wide range of individuals both inside and outside a firm. Wikis are one example of *collaborative HR*. This process of collaboration can lead to HR professionals from several different organizations jointly working to address shared business problems and interacting

regularly with individuals from a number of different firms in various industries. These firms can be part of industry or professional associations, so that limited competitive conflicts potentially arise.

The HR individuals in such collaborative efforts can participate in exchanging details and research such as that related to employee turnover issues or training plans. This sharing of information and programs allows each firm to benefit from the expertise of other firms, without having the time and expense of developing some of their own HR practices. Such collaborative HR practices are well suited to the use of wikis, which use software to harness the group's collaborative energy. Thus, collaborator networks provide a technological way to share a wide range of useful information about HR management.⁴³

Other Uses of HR Technology

HR technology has many uses in an organization. The most basic is the automation of payroll and benefits activities. Another common use of technology is tracking EEO/affirmative action activities. Beyond those basic applications, the use of Web-based information systems has allowed the HR unit in organizations to become more administratively efficient and to deal with more strategic and longer-term HR planning issues. Web-based systems include these:

- *Bulletin boards:* Information on personnel policies, job postings, and training materials can be accessed by employees globally.
- *Data access:* Linked to databases, an extranet or an intranet allows employees to access benefits information such as sick leave usage or 401(k) balances. This access frees up time for HR staff members who previously spent considerable time answering routine employee inquiries.
- *Employee self-service:* Many HR technology activities enable employees to access and update their own personnel records, change or enroll in employee benefits plans, and respond to employment opportunities in other locations. Obviously, maintaining security is critical when the employee self-service option is available.
- *Extended linkage:* Integrating an HRMS allows the databases of vendors of HR services and an employer to be linked so that data can be exchanged electronically. Also, employees can communicate directly from throughout the world to submit and retrieve their own personnel details, take on-line training courses, and provide complete career planning data.

The greater use of HRMS technologies is affecting how HR activities are performed in many ways. To illustrate, Coca-Cola provides a Web-based employee self-service program to its worldwide staff in more than 200 countries. Employees can go on-line to access and change their personal data, enroll in or change benefits programs, and prepare for performance reviews. The employee self-service system is available in various languages and reflects country and cultural differences.⁴⁴ Additional examples of how various HR activities are being transformed by technology will be presented throughout the chapters of this text.

ETHICS AND HR MANAGEMENT

Closely linked with the strategic role of HR is the way HR management professionals influence the organizational ethics practiced by executives, managers, and employees. On the strategic level, organizations with high ethical standards are more likely to meet long-term strategic objectives and profit goals. Organizations that are seen as operating with integrity are viewed more positively by individuals in the community and industry, as well as by consumers and employees.⁴⁵ That positive view often translates into bottom-line financial results and the ability to attract and retain human resources.

The need for great attention to ethics has grown in the past few years, as evidenced by the corporate scandals in the United States at Enron, WorldCom, Tyco, numerous financial and investment firms, and other organizations. Ethical problems at Parmalat (an Italian-based food company), Credit Lyonnais (a French financial firm), and other companies illustrate that ethical lapses are not problems just in the United States.



Ethics and Global Differences

Differences in legal, political, and cultural values and practices in different countries often raise ethical issues for global employers. Those employers also must comply with their home-country laws. The United States and some Western European countries have laws regarding the conduct of firms based domestically. For example, the Foreign Corrupt Practices Act (FCPA) prohibits U.S. firms from engaging in bribery and other practices in foreign countries that would be illegal in the United States. However, competing firms from certain other countries are not bound by similar restrictions, which may create competitive disadvantages for U.S. and European firms.

The impact of those laws often requires global managers to draw some fine ethical distinctions between bribery and gift-giving, particularly given differences in business practices in various Asian and Eastern European countries. Two examples illustrate typical ethical dilemmas:

- Many global firms have found that establishing or expanding operations in some Asian, African, and Latin American countries is much easier if the global firm arranges for the children of key government officials to be admitted to and receive scholarships from colleges and universities in the United States or Great Britain. Without this “sponsorship,” the global firms often face endless delays in obtaining the necessary government agency approvals for its operations.
- In some Eastern European and Asian countries, obtaining a new telephone line in less than three months requires making a cash payment, referred to as an “expediting charge,” to the local manager of the telephone office. All parties to the deal know that the manager personally will retain the cash, but a telephone is essential for doing business internationally.

These and other situations reflect how different legal, political, and cultural factors in other countries can lead to ethical conflicts for global managers. Some global firms have established guidelines and policies to reduce the payments of bribes, but even those efforts do not provide detailed guidance on handling the situations that can arise.

Ethical Behavior and Organizational Culture

Numerous writers on business ethics consistently stress that the primary determinant of ethical behavior is **organizational culture**, which is the shared values and beliefs in an organization. Basically, organizational culture is “how things are done here.” Every organization has a culture, and that culture influences how executives, managers, and employees act in making organizational decisions. For example, the more common it is for employees to lie about why they missed work in order to use sick leave, the more likely it is that new employees adopt that behavior. Or, if meeting objectives and financial targets is stressed, then it should not be a surprise when executives and managers fudge numbers or falsify cost records. The financial scandals in many firms in recent years illustrate the consequences of an “anything goes” organizational culture. However, a positive ethical culture exists in many organizations, as the HR Best Practices describes. Organizational culture is discussed in more detail in the next chapter.

HR plays a key role in ensuring ethical behavior in organizations. The number of incidents of employees reporting ethical misconduct has grown in the past decade, primarily because of such corporate scandals as the Enron

Organizational culture The shared values and beliefs in an organization.

HR BEST PRACTICES

How UPS Delivers Ethics and Corporate Integrity

With all the reports of corporate scandals in the past several years, one company whose name has not appeared in them is UPS, a transportation and logistics firm. The “Big Brown” company, as UPS is also called, sees ethics as a primary part of achieving competitive advantage with customers, as well as an aid in attracting and retaining employees at all levels. HR executives and key staff members are ensuring that UPS has ethical practices in place throughout the firm’s worldwide operations.

UPS has taken a number of actions to, as it says, “lead with integrity.” A detailed code-of-conduct manual is given to and reviewed with all employees. The manual includes specific examples of ethical situations that employees may face and how to respond to them. The manual itself is updated regularly, and

the code of conduct is reinforced annually through training sessions and communications.

Additionally, UPS contracts with an external firm to provide a hotline for receiving confidential calls on ethical problems. The vendor notes the information and sends it to a special compliance department at UPS where investigations and follow-up are handled. Regular summaries of the hotline reports are presented to department managers and senior executives. Annually, managers complete a “conduct code” report that asks specific questions about ethical problems that have arisen during the year. In summary, an emphasis on ensuring corporate integrity and ethical behavior permeates UPS, and HR plays both strategic and operational roles in delivering on ethics at UPS.⁴⁶

scandal and others. When the following four elements of ethics programs exist, ethical behavior is likely to occur:

- A written code of ethics and standards of conduct
- Training on ethical behavior for all executives, managers, and employees
- Means for employees to obtain advice on ethical situations they face, often provided by HR
- Systems for confidential reporting of ethical misconduct or questionable behavior

HR’s Role in Organizational Ethics

Organizations that are seen as ethical in the way they operate have longer-term success. Because people in organizations are making ethical decisions on a daily basis, HR management plays a key role as the “keeper and voice” of organizational ethics. All managers, including HR managers, must deal with ethical issues and be sensitive to how they interplay with HR activities. To help HR professionals deal with ethical issues, the Society for Human Resource Management has developed a code of ethics for its members. There are a number of different views about the importance of HR in ensuring that ethical practices, justice, and fairness are present throughout HR practices. Figure 1-7 identifies some of the most frequent areas of ethical misconduct involving HR activities.

Ethical issues pose fundamental questions about fairness, justice, truthfulness, and social responsibility.⁴⁷ Ethics deals with what “ought” to be done. Just complying with the laws does not guarantee ethical behavior. Laws and regulations cannot cover every situation executives, managers, and employees

FIGURE 1-7**Examples of Ethical Misconduct in HR Activities**

Types of Misconduct	Examples of Employee, Supervisor, and Managerial Behavior
Compensation	<ul style="list-style-type: none"> · Misrepresenting hours and time worked · Falsifying expense reports · Personal bias in performance appraisals and pay increases · Inappropriate overtime classifications
Employee Relations	<ul style="list-style-type: none"> · Employees lying to supervisors · Executives/managers providing false information to public, customers, and vendors · Personal gains/gifts from vendors · Misusing/stealing organizational assets and supplies · Intentionally violating safety/health regulations
Staffing and Equal Employment	<ul style="list-style-type: none"> · Favoritism in hiring and promotion · Sexual harassment · Sex, race, and age discrimination in hiring, discipline, and termination

will face. Instead of relying on laws, people must be guided by values and personal behavior “codes,” including the following two questions:

- Does the behavior or result meet all applicable *laws, regulations, and government codes*?
- Does the behavior or result meet both *organizational standards* and *professional standards* of ethical behavior?

Yet, having all these elements may not prevent individual managers or executives from engaging in or failing to report unethical behavior.⁴⁸ Even HR staff members may be reluctant to report ethics concerns, primarily because of fears that doing so may affect their current and future employment. Specific ethical issues that have created difficulty in the HR area include the following:

- How much information on a problem employee should be given to or withheld from another potential employer?
- Should an employment manager check credit agency or law enforcement records on applicants without informing them?
- What obligations are owed a long-term employee who has become an ineffective performer because of changes in the job skills required?
- What impact should an employee’s off-the-job lifestyle have on promotion decisions if on-the-job work performance has been satisfactory?
- Should employees who smoke be forced to stop smoking on the job when new no-smoking restrictions are implemented by the employer? Also, should an employer be allowed to reject a job applicant solely on the basis of off-the-job smoking?
- Should an otherwise qualified applicant be refused employment because the applicant’s dependent child has major health problems that would significantly raise the employer’s insurance costs?
- How should co-workers’ “right to know” be balanced with individual privacy rights when a worker discloses he or she has AIDS, hepatitis C, or other serious communicable diseases?

HR Ethics and Sarbanes-Oxley The Sarbanes-Oxley Act (SOX) was passed by Congress to make certain that publicly traded companies followed accounting controls that would reduce the likelihood of illegal and unethical behaviors. A number of HR facets must be managed in line with SOX. The biggest issues are linked to executive compensation and benefits. But SOX Sections 406 and 806 require companies to establish ethics codes, develop employee complaint systems, and have anti-retaliation policies for employees who act as whistle blowers to identify wrongful actions. HR has been involved in routing people through the massive compliance verification effort that has occurred. Further, the whole verification process has caused employers to check time and attendance and payroll. In the past, time and attendance often were not checked very carefully.⁴⁹

A broad study of ethics is philosophical, complex, and beyond the scope of this book. The intent here is to highlight ethical aspects of HR management. Various ethical issues in HR management are highlighted throughout the text as appropriate.

HR MANAGEMENT COMPETENCIES AND CAREERS

As HR management becomes more complex, greater demands are placed on individuals who make HR their career specialty. Even readers of this book who do not become HR managers and professionals will find it useful to know about the competencies required for effective HR management.

HR Competencies

Internet Research

Society for Human Resource Management

The Society for Human Resource Management is the largest association devoted to Human Resource Management. Some of the most essential and comprehensive resources available for Human Resource professionals are contained within the SHRM Website at: <http://thomsonedu.com/management/mathis>.



The transformation of HR toward being more strategic has implications for the competencies needed by HR professionals. To identify those competencies, the University of Michigan (UM) and the Society for Human Resource Management (SHRM) recently conducted a cooperative study. The results of the study have been summarized to identify five basic sets of HR competencies.⁵⁰ One useful product of the UM/SHRM study is the development of an HR competency self-assessment, which individual HR professionals can complete.⁵¹ The five areas of HR competencies are described briefly as follows:

- **Strategic contribution:** The key competency that HR needs to fulfill its strategic role is the ability to be a strategic contributor to organizational success. That means that HR must focus on the long-term implications of HR issues.
- **Business knowledge:** HR professionals must have business knowledge of the organization and its strategies if they are to contribute strategically. They must understand the financial, technological, and other facets of the industry and the organization.
- **HR delivery:** The HR activities must be delivered effectively and efficiently in ways that meet the needs of both the organization and its employees.
- **HR technology:** Technology, particularly information systems and Web-based resources, have become a significant part of HR management today. HR professionals must develop the abilities needed to work effectively with various dimensions of an HRMS.

- **Personal credibility:** HR professionals must have credibility personally and professionally. That means they must develop effective internal relationships with individual executives, employees, managers, and supervisors. Also, HR professionals must establish personal and professional credibility in various external relationships.

HR generalist A person who has responsibility for performing a variety of HR activities.

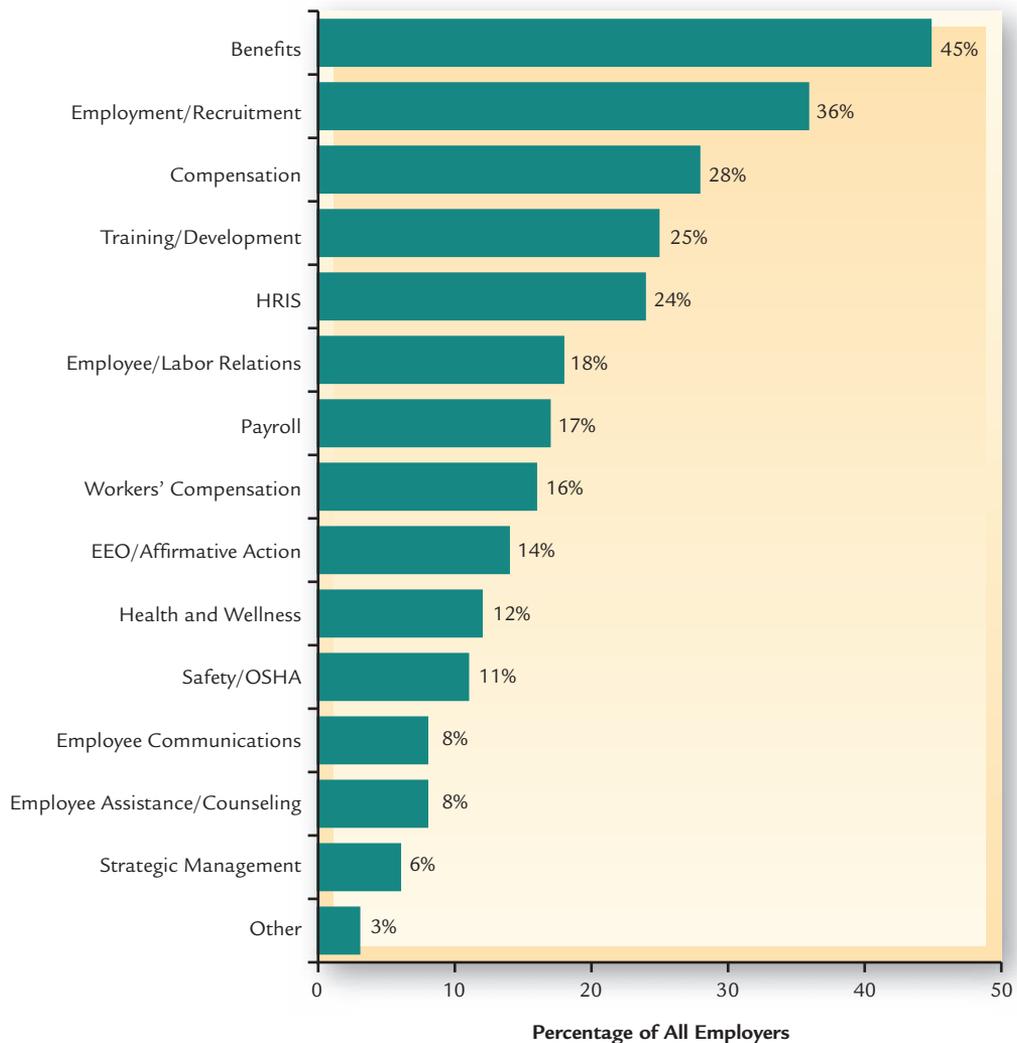
HR specialist A person who has in-depth knowledge and expertise in a limited area of HR.

HR Management as a Career Field

There are a variety of jobs within the HR career field, ranging from executive to clerical. As an employer grows large enough to need someone to focus primarily on HR activities, the role of the **HR generalist** emerges—that is, a person who has responsibility for performing a variety of HR activities. Further growth leads to the addition of **HR specialists**, or individuals who have in-depth knowledge and expertise in limited areas of HR. Figure 1-8 shows the most common areas of HR specialists, with benefits being the most prevalent.

FIGURE 1-8

HR Specialists



Source: *HR Department Benchmarks and Analysis 2007* (Washington, DC: Bureau of National Affairs, 2007), 131. To purchase this publication and find out more about BNA HR solutions, visit <http://hrcenter.bna.com> or call 800-372-1033. Used with permission.

HR jobs can be found in both corporate headquarters and field/subsidiary operations. A compensation analyst or HR director might be found at a corporate headquarters. An employment manager for an auto parts manufacturing plant and a European HR manager for a global food company are examples of field and subsidiary HR professionals. The two types of jobs have different career appeals and challenges.⁵²

HR Professionalism and Certification

The idea that “liking to work with people” is the major qualification necessary for success in HR is one of the greatest myths about the field. Depending on the job, HR professionals may need considerable knowledge about employment regulations, finance, tax law, statistics, and information systems. In most cases, they also need extensive knowledge about specific HR activities.

Professional Involvement and Development The broad range of issues faced by HR professionals has made involvement in professional associations and organizations important. For HR generalists, the largest organization is the Society for Human Resource Management (SHRM). Public-sector HR professionals tend to be concentrated in the International Personnel Management Association (IPMA). Other major specialized HR organizations include the International Association for Human Resource Information Management, (IHRIM), the WorldatWork Association, and the American Society for Training and Development (ASTD).

One of the characteristics of a professional field is having a means to certify the knowledge and competence of members of the profession. The CPA for accountants and the CLU for life insurance underwriters are examples. The most well-known certification programs for HR generalists are administered by the Human Resource Certification Institute (HRCI), which is affiliated with SHRM.

PHR/SPHR Certification The most widely known HR certifications are the Professional in Human Resources (PHR) and the Senior Professional in Human Resources (SPHR), both sponsored by HRCI. More than 50,000 HR professionals are certified as PHR or SPHR. Annually, thousands of individuals take the certification exams. HRCI also sponsors a Global Professional in Human Resources (GPHR) certification. Eligibility requirements for PHR, SPHR, and GPHR certification are shown in Figure 1-9. Appendix A

Internet Research

Human Resource Certification Institute

For information on the HRCI certification process, link to their Website at: <http://thomsonedu.com/management/mathis>.



FIGURE 1-9

HR Certification

The Human Resource Certification Institute offers three types of professional certifications for HR generalists.

PHR Certification	SPHR or GPHR Certification
<ul style="list-style-type: none"> Complete at least 2 years of exempt-level (professional) HR experience (recommended: 2–4 years). Pass the PHR certification exam. Students may take and pass exam, and receive certification after 2 years of experience. 	<ul style="list-style-type: none"> Complete at least 2 years of exempt-level (professional) HR experience (recommended: 6–8 years). Pass the SPHR or GPHR exam.

Details on these certifications are available from the Human Resources Certification Institute, www.hrci.org.

Section 1 Nature of Human Resource Management

identifies test specifications and knowledge areas covered by the PHR and SPHR. Additionally, those who want to succeed in the field must update their knowledge continually. One way of staying current on HR is to tap information available in current HR literature, as listed in Appendix B.

GPHR Certification HRCI has established a certification for global HR professionals. The addition of global certification recognizes the growth in HR responsibilities in organizations throughout the world. The subject areas for the global certification are as follows:

- Strategic international HR management
- Organizational effectiveness and employee development
- Global staffing
- International assignment management
- Global compensation and benefits
- International employee relations and regulations

Other HR Certifications Increasingly, employers hiring or promoting HR professionals are requesting certification as a “plus.” HR professionals feel that HR certification gives them more credibility with corporate peers and senior managers. Additional certification programs for HR specialists and generalists are sponsored by various organizations. For specialists, some well-known programs include the following:

- Certified Compensation Professional (CCP), sponsored by the Worldat-Work Association
- Certified Employee Benefits Specialist (CEBS), sponsored by the International Foundation of Employee Benefits Plans
- Certified Benefits Professional (CBP), sponsored by the WorldatWork Association
- Certified Performance Technologist (CPT), co-sponsored by the American Society for Training & Development and the International Society for Performance Improvement
- Certified Safety Professional (CSP), sponsored by the Board of Certified Safety Professionals
- Occupational Health and Safety Technologist (OHST), given by the American Board of Industrial Hygiene and the Board of Certified Safety Professionals
- Certified Professional Outsourcing, provided by New York University and the Human Resource Outsourcing Association

Certifying knowledge is a trend in numerous professions, and HR has many certifications. Given that many people may enter HR jobs with limited formal HR training, certification helps both individuals and their employers to make HR management a better performing part of organizations.

SUMMARY

- HR management ensures that human talent is used effectively and efficiently to accomplish organizational goals.
- There are four types of assets in organizations: physical, financial, intangible, and human.
- Human assets should be seen as human capital, which is the collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organizational workforce.
- HR management activities can be grouped as follows: strategic HR management; equal employment opportunity; staffing; talent management; compensation and benefits; health, safety, and security; and employee and labor relations.
- All organizations need HR management, but larger ones are more likely to have a specialized HR function.
- HR management must fulfill three roles: (1) administrative, (2) operational and employee advocate, and (3) strategic.
- HR roles are being transformed by technology, outsourcing, and the need for HR to become a more strategic contributor.
- Four major HR challenges faced by managers and organizations now and in the future are the globalization of business, economic and technological changes, workforce demographics and diversity, and organizational cost pressures and restructuring.
- HR technology in the form of human resource management systems (HRMSs) helps improve administrative efficiencies and expand information for strategic HR planning.
- Ethical behavior is crucial in HR management, and HR professionals regularly face a number of HR ethical issues.
- The five areas of competencies needed by HR professionals are strategic contribution, business knowledge, HR delivery, HR technology, and personal credibility.
- Current knowledge about HR management is required for professionals in the HR career field, and professional certification has grown in importance for HR generalists and specialists.