

An aerial photograph of a large, colorful geometric plaza. The plaza is composed of various colored rectangular sections in shades of light blue, dark blue, red, and green. A large green square is the central focus, with several people walking on it. Other people are scattered throughout the plaza, some walking on the light blue paths. The overall design is reminiscent of Piet Mondrian's abstract art style.

7th Asia-Pacific Edition

# MANAGEMENT

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Managing human resources

# CHAPTER 12



# CHAPTER 12

## Managing human resources

1

Explain the strategic role of human resource management (HRM)

2

Explain what the changing social contract between organisations and employees means for workers and human resource managers, emphasising trends that influence HRM

3

Describe the tools managers use to recruit and select employees

4

Describe how organisations develop an effective workforce through training and performance appraisal

5

Explain how organisations maintain a workforce through the administration of wages and salaries, benefits and terminations



	Mostly true	Mostly false
1 I will readily fire someone who isn't working out for the interests of the organisation.		
2 Selecting the right people for a business team is as important as it is to a winning sports team.		
3 I expect to spend 40 per cent to 60 per cent of my management time on issues such as recruiting, developing and placing people.		
4 I will articulate a realistic picture of all aspects of the job which will scare off the wrong people for the job.		
5 My priority as a manager is to: hire the right people, put people in the right positions and then decide the vision and strategies.		
6 With the right people on my team, problems of motivation and supervision will largely go away.		
7 Hiring the right people is a lengthy and arduous process.		
8 I view firing someone as helping them find the place where they belong to find fulfilment.		



# DRIVING ORGANISATIONAL PERFORMANCE

- Human resources are a key source of an organization's competitive advantage
- **Human capital** refers to the economic value of the combined knowledge, experience, skills and capabilities of employees
- Human capital is the top factor in maintaining competitive success

## human resource management (HRM)

- Activities undertaken to attract, develop and maintain an effective workforce within an organisation.



# THE STRATEGIC APPROACH

- Alignment of HR strategies with the organisation's strategic direction, has a positive impact on performance
- Top **three factors** for maintaining competitive success:
  1. All managers are HR managers
  2. Employees are assets
  3. HRM is a matching process
    - Integrating organisational strategy and goals with the correct approach to managing the firm's human capital



# STRATEGIC HUMAN RESOURCE MANAGEMENT

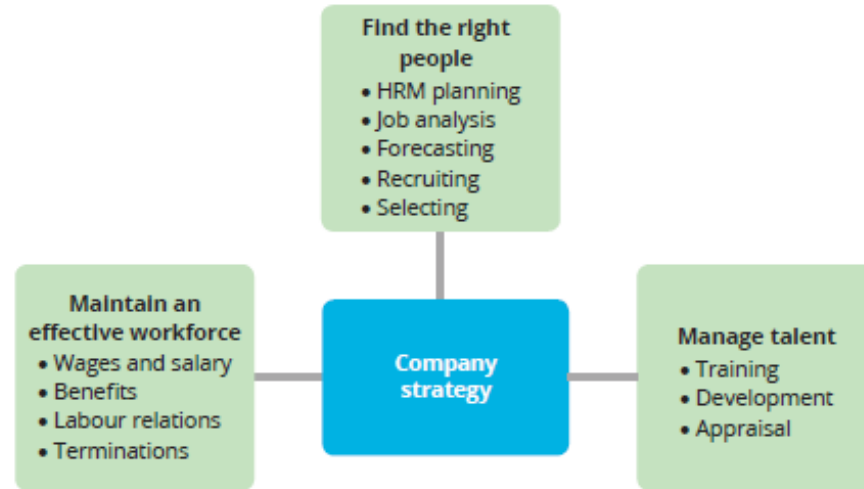


Exhibit 12.1 Strategic human resource management





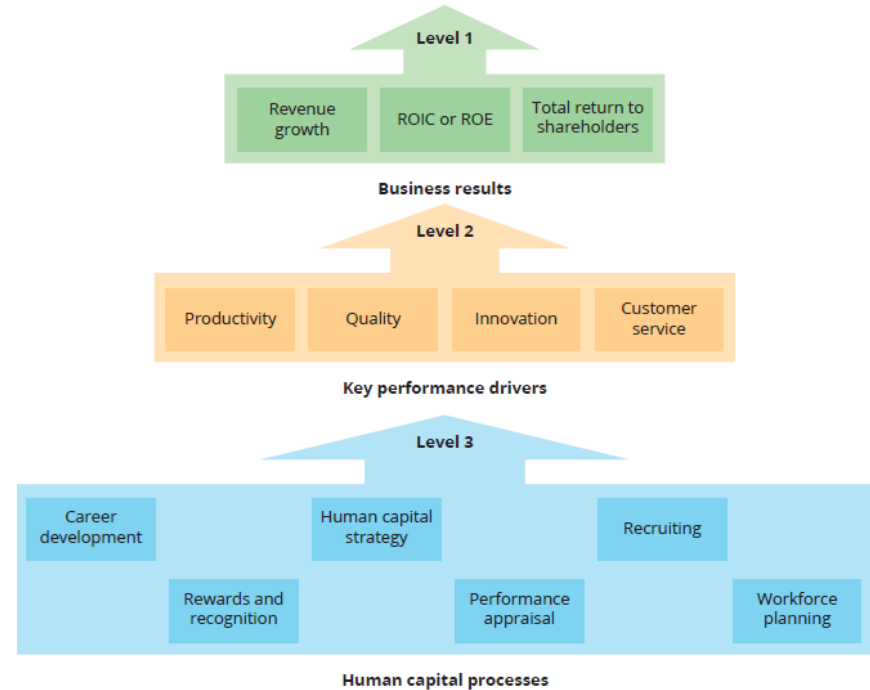
# BUILDING HUMAN CAPITAL TO DRIVE PERFORMANCE

- HRM a key contributor to organisational success
- HRM develops strategies for:
  - **finding** the best people
  - **enhancing** their skills and knowledge with training programs and opportunities for personal and professional development
  - providing **compensation and benefits** that support the sharing of knowledge
  - appropriately **reward** people for their contributions to the organisation





# THE ROLE AND VALUE OF HUMAN CAPITAL INVESTMENT



**Exhibit 12.2** The role and value of human capital investments

Source: Adapted from Cantrell, S. et al. (2006). 'Measuring the Value of Human Capital Investments: The SAP Case'. *Strategy & Leadership*, 34:2, 43–52. Copyright 2006 by Emerald Group Publishing Limited. Reproduced with permission.



# THE CHANGING NATURE OF CAREERS

- The end of lifetime employment
- Globalisation, outsourcing, hyper-competition, and other volatile changes in the environment
- Now expect and encourage employees to take control of their own careers
- Employability rather than lifetime employment
- Individuals are responsible for developing their own skills and abilities
- Demonstrating their value



# THE CHANGING SOCIAL CONTRACT

	New contract	Old contract
Employee	Employability; personal responsibility Partner in business improvement Learning; skill development	Job security A cog in the machine Knowing
Employer	Creative development opportunities Lateral career moves; incentive compensation Challenging assignments Information and resources; decision-making authority	Standard training programs Traditional compensation package Routine jobs Limited information

**Exhibit 12.3** The changing social contract

Sources: Based on Wah, L. (January 1998). 'The New Workplace Paradox'. *Management Review*, 7; and Hall, D. T. and Moss, J. E. (Winter 1998). 'The New Protean Career Contract: Helping Organizations and Employees Adapt'. *Organizational Dynamics*, 22–37.



# INNOVATIONS IN HRM

- HRM faces constant change
- Some key issues facing HRM today:
  - blind hiring
  - branding the company as an employer of choice
  - fast track hiring
  - acquiring organisations to obtain talent



# HRM INNOVATIONS

## blind hiring

- focuses managers on an applicant's job skills and performance rather than educational credentials, appearance, or prior experience
- people are usually asked to complete a project or assignment that relates to the type of work they'll be doing
- contributes to better, more diverse hiring

## branding the company as an employer of choice

- aims to make the organisation seem like a highly desirable place to work
- organisation offers a range of appealing work conditions, such as chill-out zones with hammocks, encouraging casual dress or, if employees need to get active to get their 'creative juices' flowing, they can opt to play basketball, tennis or exercise in the company gym

## fast track hiring

- in 2015, the average time it took for organisations to hire reached an all-time high of almost 29 days
- managers are experimenting with a fast track approach, filling open jobs in a matter of days or even hours
- best candidates get snagged quickly

## acquiring organisations to obtain talent

- get talented employees quickly by acquiring start-ups
- larger, bureaucratic organisations rather than nimble start-ups can be difficult for some acqui-hires



# FINDING THE RIGHT PEOPLE

## Key Concept

Three broad goals of HRM:  
finding, developing and  
maintaining an effective  
workforce.

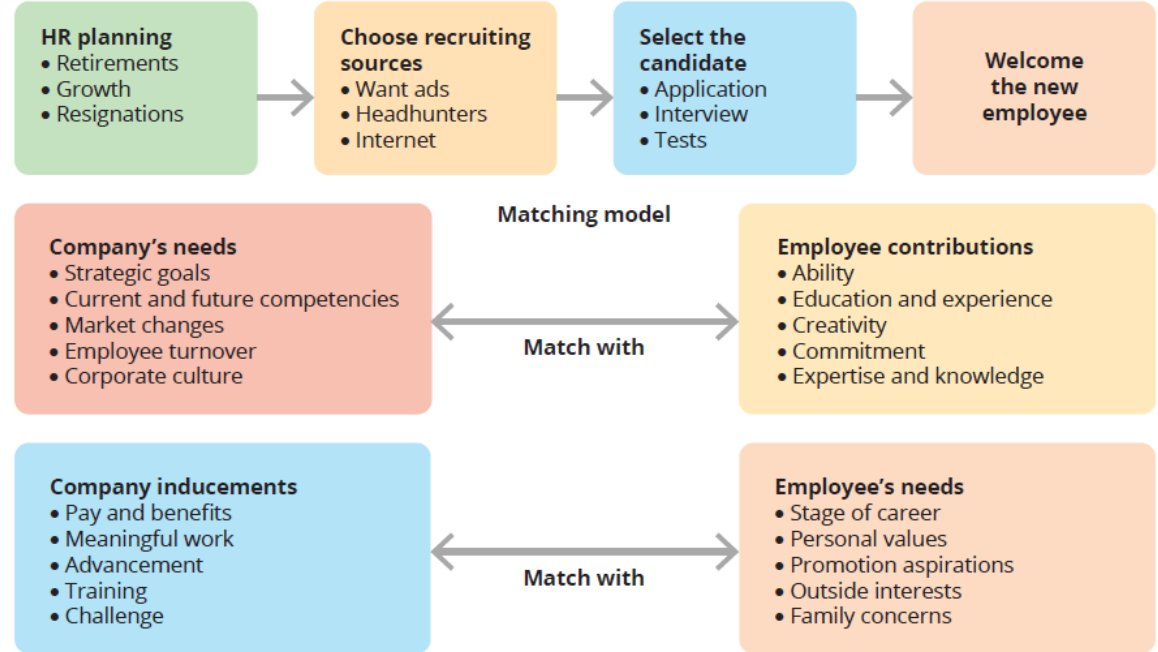


Exhibit 12.4 Attracting an effective workforce



# HUMAN RESOURCE PLANNING

- Forecasting human resource needs and the projected matching of individuals with expected vacancies
  - Recruiting
  - Selecting
  - Managing talent





# RECRUITING

- Activities or practices that define the desired characteristics of applicants for specific jobs
- Also referred to as **talent acquisition**
- Can be:
  - Internal
  - External (contd.)



# ASSESSING JOBS

Involves assessing jobs:

- Job analysis
  - The systematic process of gathering and interpreting information about the essential duties, tasks and responsibilities of a job
- Job description
  - A concise summary of the specific tasks and responsibilities of a particular job
- Job specification
  - An outline of the knowledge skills, education and physical abilities needed to adequately perform a job (contd.)



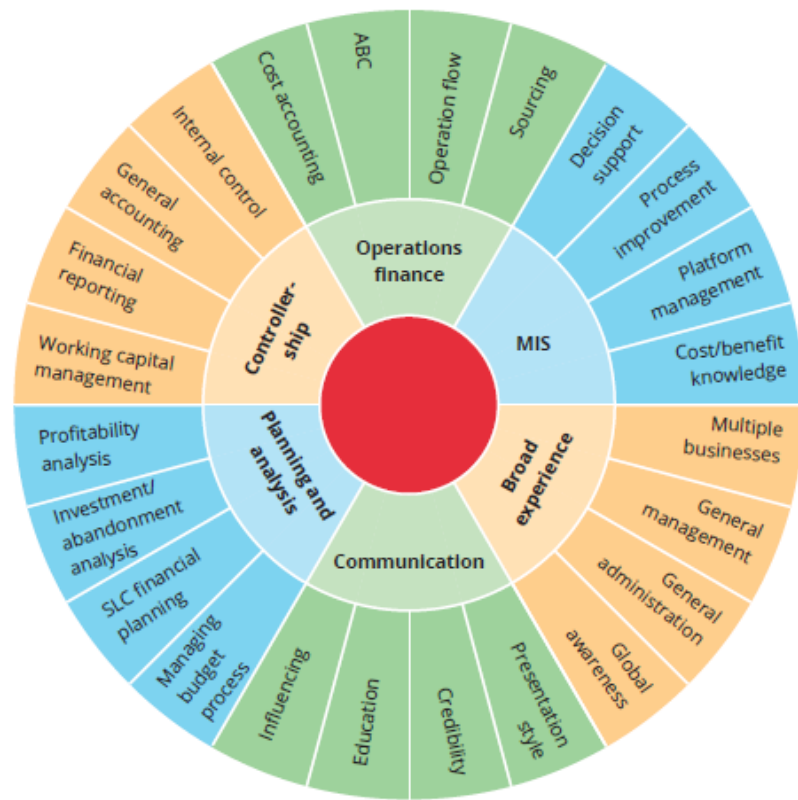


Exhibit 12.5 Sara Lee's required skills for finance executive

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Foster Printing Service: 866-879-9144, <http://www.marketingreprints.com>. License #13921.

# REALISTIC JOB PREVIEWS, SOCIAL MEDIA AND INTERNSHIPS

- Job analysis enables the creation of:
  - Realistic job previews (RJP)
    - Gives applicants all pertinent information about the job and the organisation
- Employers make use of social media
  - LinkedIn / Facebook
- Internship exchanges free or low-cost labour for the opportunity to gain valuable work experience



# SELECTING APPLICANTS

- The process of determining the skills, abilities and other attributes a person needs to perform a particular job
- Most frequently used devices include:
  - Application form
  - Interview
  - Employment test
  - Assessment centres
  - Online checks



# WHAT CAN YOU ASK IN AN INTERVIEW?

Category	OK to ask	Inappropriate or illegal to ask
National origin	The applicant's name If applicant has ever worked under a different name	The origin of applicant's name Applicant's ancestry/ethnicity
Race	Nothing	Race or colour of skin
Disabilities	Whether applicant has any disabilities that might inhibit performance of job	If applicant has any physical or mental defects If applicant has ever filed workers' compensation claim
Age	If applicant is over 18	Applicant's age When applicant graduated from high school
Religion	Nothing	Applicant's religious affiliation What religious holidays applicant observes
Criminal record	If applicant has ever been convicted of a crime	If applicant has ever been arrested
Marital/family status	Nothing	Marital status, number of children or planned children Childcare arrangements
Education and experience	Where applicant went to school Prior work experience	When applicant graduated Hobbies
Citizenship	If applicant has a legal right to work in Australia	If applicant is a citizen of another country

Exhibit 12.6 Employment applications and interviews: what can you ask?

Sources: Based on 'Appropriate and Inappropriate Interview Questions' in Bohlander, G., Snell, S. and Sherman, A. (2001), *Managing Human Resources*, 12th edn, Cincinnati, OH: South-Western, 207; and 'Guidelines to Lawful and Unlawful Preemployment Inquiries, Appendix E', in Mathis, R. L. and Jackson, J. H. (2002), *Human Resource Management*, 2nd edn, Cincinnati, OH: South-Western, 189–90.



# DEVELOPING TALENT

## *On-the-job training*

- the most common type of training
- an experienced employee is asked to show the newcomer how to perform job duties
- is considered the fastest and most effective means of facilitating learning in the workplace

## *Social learning*

- learning informally from others by using social media tools, including mobile technologies, social networking, wikis and blogs, virtual games and so forth
- the majority of organisational learning occurs through informal rather than formal channels

## *Mentoring and coaching*

- experienced employee guides and supports a newcomer or less experienced employee
- developing their skills and abilities
- **coaching** is a method of directing, instructing and training a person with the goal to develop specific management skills

## *Corporate universities*

- an in-house training and education facility that offers broad-based learning opportunities for employees – and frequently for customers, suppliers and strategic partners as well – throughout their careers

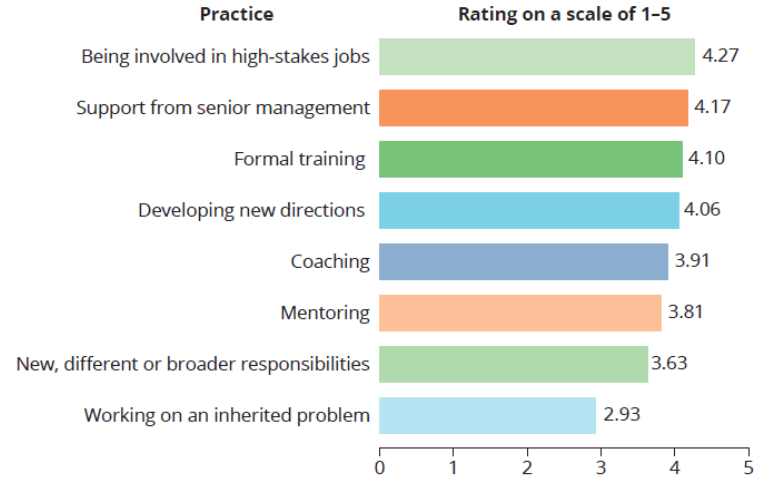
## *Promotion from within*

- promotions provide more challenging assignments, prescribe new responsibilities, and help employees grow by expanding and developing their abilities





# RANKING OF TRAINING AND DEVELOPMENT PRACTICES



**Exhibit 12.8** Ranking of training and development practices by young professionals

Source: 'Which Development Practices Matter Most', exhibit in Hamori, M., Koyuncu, B., Cao, J. and Graf, T. (Fall 2015). 'What High-Potential Young Managers Want'. *MIT Sloan Management Review*, 61-8.








# PERFORMANCE APPRAISAL

- The process of observing and evaluating an employee's performance, recording the assessment and providing feedback
- One of the biggest corporate talent management mistakes is the failure to provide candid performance assessments that focus on development needs
- Current thinking is that performance appraisal should be ongoing
  - not something that is done once a year as part of a consideration of raises



# HOW PEOPLE IN DIFFERENT COUNTRIES GIVE FEEDBACK

Country	Positive feedback	Negative feedback
 Shutterstock.com/Nirdal/Art	Americans give the most exaggerated, explicit and positive feedback of any country in the world. Words like 'fabulous', 'fantastic' and 'awesome' are used freely to describe everyday occurrences.	Negative feedback is often given in writing. Americans love to wrap up criticism in a series of compliments.
 Shutterstock.com/Utah	Germans give much less positive feedback than many other nationalities.	Germans give more direct negative feedback. They have tougher skills and are much less likely to take criticism of their work personally. A boss can say an employee's work is unacceptable without destroying their morale.
 Shutterstock.com/Utah	Chinese people are typically less direct than Western cultures, and change their feedback styles based on company hierarchy.	A Chinese businessperson might give softer feedback to a colleague but feel comfortable strongly criticising a subordinate.
 Shutterstock.com/Globe Turner	Japan has one of the most indirect cultures in the world, with positive feedback often expressed in highly formal settings.	Japanese people sometimes leave negative feedback out entirely, leaving it up to the recipient to notice the implicit criticism.
 Shutterstock.com/Julmzy	Australians often provide feedback in a jovial manner, and are more likely to provide positive feedback in private than they are in public.	Australian managers typically wrap negative feedback in the middle of positive statements so as not to hurt the feelings of subordinates. This can often lead to employees being unsure if the feedback they received was positive or negative.

**Exhibit 12.9** How people in different countries give feedback

Source: Adapted from 'How These Countries Critique', visual based on Meyer, E. (2014). 'The Culture Map: Breaking through the Invisible Boundaries of Global Business', in Taube, A. and Gould, S. (16 November 2014). 'Here Are the Wildly Different Ways People Give Feedback Around The World'. *Business Insider*, <http://www.businessinsider.com/how-people-give-criticism-all-over-the-world-2014-11> (accessed 18 August 2016).



# ASSESSING PERFORMANCE ACCURATELY

## *360-degree feedback*

- a recent trend in performance appraisal is called 360-degree feedback, a process that uses multiple raters, including self-rating, as a way to increase awareness of strengths and weaknesses and guide employee development
- members of the appraisal group may include supervisors, co-workers and customers, as well as the individual, and thus provide a holistic view of the employee's performance

## *performance review ranking system*

- sometimes referred to as a forced ranking system, stack ranking, or 'rank and yank'
- increasingly controversial because it essentially evaluates employees by pitting them against one another
- proponents say it can create and sustain a high-performance culture in which people continuously improve



# PERFORMANCE EVALUATION ERRORS

- Researchers have identified several rating problems
- The most dangerous is stereotyping
  - when a rater places an employee into a category based on one or a few traits or characteristics (age, gender, profession etc)
- Another rating error is the halo effect
  - occurs when an employee receives the same rating on all dimensions regardless of his or her performance on individual ones
- Approach to overcome performance evaluation errors is to use a behaviour-based rating technique



# EXAMPLE OF A BEHAVIOURALLY ANCHORED RATING SCALE

**Job:** production line supervisor    **Work dimension:** work scheduling

- 1 Have no plan or schedule of work and no concept of realistic due dates.
- 2 Have a sound plan but neglect to keep track of target dates or to report schedule slippages or other problems as they occur.
- 3 Make a list of due dates and revise them but get frequently surprised by unforeseen events.
- 4 Usually satisfy time constraints, with time and cost overruns coming up infrequently.
- 5 Develop a comprehensive schedule, observe target dates, and update the status of operations relative to plans, making schedule modifications as quickly as necessary.

**Exhibit 12.10** Example of a behaviourally anchored rating scale



# MAINTAINING AN EFFECTIVE WORKFORCE

- Once recruited, HR needs to be maintained effectively
- Involves:
  - Compensation
  - Benefits
  - Termination





# COMPENSATION

- **Monetary** payments (wage and salaries) and **non-monetary** goods/commodities used to reward employees
- Effective compensation helps to attract and retain talented workers
- Wage and salary systems
  - job or skills based pay
- Compensation equity
  - fairness and equity within the pay structure
- Pay-for-performance
  - incentive pay that ties at least part of compensation to employee effort and performance



# BENEFITS

- Make up 40 per cent of labour costs
  - Some are required by law
    - e.g. superannuation, holiday leave loading, worker's compensation
  - Others can be provided by the organisation
    - e.g. health insurance, onsite fitness centres
    - e.g. subsidised child care, tennis and squash courts
    - provided to maintain an effective workplace



# TERMINATION

Organisations lose employees through:

- Retirement
- Voluntary exit
- Involuntary
  - Mergers, cutbacks
  - Poor performance
- Exit interview useful for learning about potential problems in the organisation

## exit interview

- An interview conducted with departing employees to determine reasons for their departure and learn about potential problems in the organisation



# SUSTAINABILITY AND PEOPLE

- HRM has strong link to sustainable development
- In both sustainability and HRM the aim is to improve the outcomes and effectiveness of the organisation
  - performance is appraised against a broader set of measures in a sustainable organisation
  - sustainability represents an opportunity to improve staff satisfaction through improved engagement
    - e.g. Google giving staff \$5000 towards buying fuel efficient cars



# CHAPTER 12 – BRIEF SUMMARY

12.1 Human resource management (HRM) refers to the design and application of formal systems to ensure the effective and efficient use of human talent to accomplish organisational goals.

12.2 The new social contract between employers and employees is based on the notion of employability and personal responsibility rather than lifelong employment by an organisation.

12.3 HRM has three broad goals: finding, developing and maintaining an effective workforce. Selection is the process of assessing the skills, abilities and other attributes of applicants in an attempt to determine the fit between the job and each applicant's characteristics.

12.4 Training typically refers to teaching people skills needed in their current job, whereas development refers to teaching people broader career skills.

12.5 Managers strive to maintain fairness and equity in the pay system by designing performance and reward structures that are monitored to encourage positive work behaviours, balanced with objective feedback and measurement of outputs.

