

INTRODUCTION TO HUMAN RESOURCES (MPTC)



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Introduction to Human Resources (MPTC)

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CHAPTER OVERVIEW

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1.1: Introduction

Human Resource Management Day to Day

You have just been hired to work in the human resource department of a small company. You heard about the job through a conference you attended, put on by the Society for Human Resource Management (SHRM). Previously, the owner of the company, Jennifer, had been doing everything related to human resource management (HRM). You can tell she is a bit critical about paying a good salary for something she was able to juggle all on her own. On your first day, you meet the ten employees and spend several hours with the company owner, hoping to get a handle on which human resource processes are already set up.

Shortly after the meeting begins, you see she has a completely different perspective of what HRM is, and you realize it will be your job to educate her on the value of a human resource manager. You look at it as a personal challenge—both to educate her and also to show her the value of this role in the organization.

First, you tell her that HRM is a strategic process having to do with the staffing, compensation, retention, training, and employment law and policies side of the business. In other words, your job as human resources (HR) manager will be not only to write policy and procedures and to hire people (the administrative role) but also to use strategic plans to ensure the right people are hired and trained for the right job at the right time. For example, you ask her if she knows what the revenue will be in six months, and Jennifer answers, “Of course. We expect it to increase by 20 percent.” You ask, “Have you thought about how many people you will need due to this increase?” Jennifer looks a bit sheepish and says, “No, I guess I haven’t gotten that far.” Then you ask her about the training programs the company offers, the software used to allow employees to access pay information online, and the compensation policies. She responds, “It looks like we have some work to do. I didn’t know that human resources involved all of that.” You smile at her and start discussing some of the specifics of the business, so you can get started right away writing the strategic human resource management plan.

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1.2: Skills Needed for HRM

Learning Objectives

1. Explain the professional and personal skills needed to be successful in HRM.
2. Be able to define human resource management and the certifications that can be achieved in this profession.

One of the major factors of a successful manager or human resource (HR) manager is an array of skills to deal with a variety of situations. It simply isn't enough to have knowledge of HR, such as knowing which forms need to be filled out. It takes multiple skills to create and manage people, as well as a cutting-edge human resource department.

The first skill needed is organization. The need for this skill makes sense, given that you are managing people's pay, benefits, and careers. Having organized files on your computer and good time-management skills are crucial for success in any job, but especially if you take on a role in human resources.

Like most jobs, being able to multitask—that is, work on more than one task at a time—is important in managing human resources. A typical person managing human resources may have to deal with an employee issue one minute, then switch and deal with recruiting. Unlike many management positions, which only focus on one task or one part of the business, human resources focuses on all areas of the business, where multitasking is a must.

As trite as it may sound, people skills are necessary in any type of management and perhaps might be the most important skills for achieving success at any job. Being able to manage a variety of personalities, deal with conflict, and coach others are all in the realm of people management. The ability to communicate goes along with people skills. The ability to communicate good news (hiring a new employee), bad news (layoffs), and everything in between, such as changes to policy, makes for an excellent manager and human resource management (HRM) professional.

Keys to a successful career in HRM or management include understanding specific job areas, such as managing the employee database, understanding employment laws, and knowing how to write and develop a strategic plan that aligns with the business. All these skills will be discussed in this book.

A strategic mind-set as an HR professional is a key skill as well. A person with a strategic mind-set can plan far in advance and look at trends that could affect the environment in which the business is operating. Too often, managers focus on their own area and not enough on the business as a whole. The strategic HR professional is able to not only work within his or her area but also understand how HR fits into the bigger picture of the business.

Ethics and a sense of fairness are also necessary in human resources. Ethics is a concept that examines the moral rights and wrongs of a certain situation. Consider the fact that many HR managers negotiate salary and union contracts and manage conflict. In addition, HR managers have the task of ensuring compliance with ethics standards within the organization. Many HR managers are required to work with highly confidential information, such as salary information, so a sense of ethics when managing this information is essential. We discuss ethics from the organizational perspective in Section 1.1.2 “The Role of HRM”.

Dilbert and the Evil HR Director



Ethics is perhaps one of the most important aspects to being a great HR professional. This humorous video shows how unethical behavior can undermine motivation at work.

? Human Resource Recall

Think of your current skills. Are there personal or professional skills you would like to work on?

Finally, while we can list a few skills that are important, understanding the particular business, knowing the business strategy, and being able to think critically about how HR can align itself with the strategy are ways to ensure HR departments are critical parts of the business. HR is a specialized area, much like accounting or finance. However, many individuals are placed in HR roles without having the specific knowledge to do the job. Oftentimes people with excellent skills are promoted to management and then expected (if the company is small) to perform recruiting, hiring, and compensation tasks. This is the reason we will refer to management and HR management interchangeably throughout the chapters. In addition, these skills are important for HRM professionals and managers alike.

Having said that, for those of you wanting a career in HRM, there are exams you can take to show your mastery of HRM material and per Society of Human Resource Management (SHRM), "These credentials validate your ability to address real-world challenges, setting you apart as a leader in human resources. Backed by SHRM, they offer flexible learning, competency-based testing, and universal relevance. Employers value these certifications as benchmarks of HR excellence, advancing careers while driving workplace success."

Certified Professional (SHRM - CP)

The SHRM-CP certification is intended for individuals who perform general HR/HR-related duties; or for currently enrolled students and individuals pursuing a career in Human Resource Management.

Candidates for the SHRM-CP certification are not required to hold an HR title and do not need a degree or previous HR experience to apply; however, a basic working knowledge of HR practices and principles or a degree from an Academically Aligned program is recommended.

The SHRM-CP exam is designed to assess the competency level of HR at the operational level. This level includes implementing policies, supporting day-to-day HR functions, or serving as an HR point of contact for staff and stakeholders.

Senior Certified Professional (SHRM - SCP)

The SHRM-SCP certification is for individuals who have a work history of at least 3 years performing strategic level HR/HR-related duties; or for SHRM-CP credential holders who have held the credential for at least 3 years and are working in, or are in the process of transitioning to, a strategic level role.

Candidates for the SHRM-SCP certification are not required to hold an HR title and do not need a degree to apply.

The SHRM-SCP exam is designed to assess the competency level of those who engage in HR work at the strategic level. Work at this level includes duties such as developing HR policies and/or procedures, overseeing the execution of integrated HR operations, directing an entire HR enterprise, or leading the alignment of HR strategies to organizational goals.

Applicants must be able to demonstrate that they devoted at least 1,000 hours per calendar year (Jan. – Dec.) to strategic level HR/HR-related work.

- More than 1,000 hours in a calendar year does not equate to more than 1 year of experience.
- Part-time work qualifies as long as the 1,000-hour per calendar year standard is met.
- Experience may be either salaried or hourly.
- Individuals who are HR consultants may demonstrate qualifying experience through the HR/HR-related duties they perform for their clients. Contracted hours must meet the 1,000-hour standard.

Figure 1.4



Caption: Perhaps one of the most important skills in any kind of management is the ability to communicate.

Baltic Development Forum – [Kristovskis-meeting-41.jpg](#) – CC BY 2.0.

Most companies need a human resource department or a manager with HR skills. The industries and job titles are so varied that it is possible only to list general job titles in human resources:

1. Recruiter
2. Compensation analyst
3. Human resources assistant
4. Employee relations manager
5. Benefits manager
6. Work-life coordinator
7. Training and development manager
8. Human resources manager
9. Vice president for human resources

This is not an exhaustive list, but it can be a starting point for research on this career path.

People Skills in HR



This chapter makes the point that communication and people skills, or “soft skills,” are necessary to be successful in any job. This video addresses the importance of these skills.

Key Takeaways

- There are a number of skills crucial to human resource management. First, being able to organize and *multitask* is necessary. In this job, files must be managed, and an HR manager is constantly working in different areas of the business.
- Communication skills are necessary in HRM as well. The ability to present good and bad news, work with a variety of personalities, and coach employees is important in HRM.
- Specific job skills, such as computer skills, knowledge of employment law, writing and developing strategic plans, and general critical-thinking skills are important in any type of management, but especially in human resource management.
- A sense of fairness and strong *ethics* will make for the best HR manager. Because HR works with a variety of departments to manage conflict and negotiate union contracts and salary, the HR professional needs *ethics* skills and the ability to maintain confidentiality.
- Since one of the major responsibilities of an HR department is to align the HR strategic plan with the business strategic plan, critical and creative thinking, as well as writing, are skills that will benefit the HR manager as well.
- Many people find themselves in the role of HR manager, so we will use the term *HR manager* throughout this book. However, many other types of managers also perform the tasks of recruiting, selecting, and compensating, making this book and the skills listed in this section applicable to all majors.
- Certification exams can be taken to make you more marketable in the field of HRM. These certifications are offered by the HR Certification Institute (HRCI).

Exercise

1. What are your perceptions of what an HR manager does on a day-to-day basis? Research this job title and describe your findings. Is this the type of job you expected?

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1.3: Today's HRM Challenges

If most business leaders were asked to identify their greatest organizational challenges today, cost management would almost certainly be at the top of the list. In a competitive and uncertain economic environment, organizations must carefully manage expenses while continuing to attract, retain, and engage talent. Because labor-related expenses represent one of the largest and most complex cost categories for most organizations, human resource management plays a central role in organizational success or failure.

Expenses related to the “people side” of the business can include, but are not limited to:

1. Employee wages and salaries
2. Health-care and retirement benefits
3. Training and development costs
4. Recruiting and hiring expenses
5. Technology and tools that support employees

These costs directly affect an organization's bottom line. The challenge for HR professionals is to determine how much, how often, and in what form compensation and benefits should be offered without sacrificing employee motivation, productivity, or retention. While an organization could reduce costs by eliminating benefits or retirement plans, doing so would significantly limit its ability to attract high-quality talent. As a result, cost containment in HRM is best understood as a strategic balancing act—offering competitive rewards while maintaining financial sustainability. Throughout this book, strategies for achieving this balance are explored.

Managing Health-Care and Benefits Costs

Health-care and benefits costs continue to be among the largest expenses associated with employment. Organizations commonly use several approaches to manage these costs, including:

- Shifting a portion of health-care costs to employees
- Modifying benefit offerings or eligibility requirements
- Renegotiating or redesigning benefit plans to improve cost efficiency

One widely used strategy for managing benefits costs is the implementation of flexible or cafeteria-style benefit plans. Under these plans, employees receive a core set of benefits along with a fixed allowance that can be allocated among optional benefits based on individual needs. This approach recognizes that employees at different life stages have different priorities, while also helping organizations control overall benefits spending. Cost-containment strategies related to compensation and benefits are discussed in greater detail in Chapter 6, “Compensation and Benefits.”

Training as a Cost-Containment Strategy

Although training and development require upfront investment, well-designed training programs can reduce long-term costs by improving performance, reducing errors, and limiting legal exposure. Training on topics such as workplace conduct, harassment prevention, safety, and employment law can significantly reduce the likelihood of costly lawsuits and compliance violations. In this way, training should be viewed not only as an employee benefit but also as a risk management and cost-saving strategy. Chapter 8, “Training and Development,” explores how organizations can design, implement, and evaluate effective training programs.

Hiring, Turnover, and Communication Costs

Recruiting, hiring, and employee turnover represent some of the most expensive and impactful HR activities. Turnover—the departure of employees from an organization—can generate significant direct and indirect costs, including recruiting expenses, lost productivity, and training time for new hires. As a result, HR managers must focus on effective recruitment, selection, and retention strategies to ensure the right people are hired and retained. These topics are examined in Chapter 4, “Recruitment,” Chapter 5, “Selection,” and Chapter 7, “Retention and Motivation.”

Effective communication is another critical factor in cost containment. Poor communication can lead to misunderstandings, wasted time, errors, and lost revenue. With the widespread use of email, messaging platforms, virtual meetings, and collaboration tools, HR professionals must help organizations develop strong communication practices that account for different communication styles

and technologies. Strategies for improving employee communication are discussed in Chapter 9, “Successful Employee Communication.”

Global Labor Strategies and Workforce Flexibility

Organizations have also pursued global labor strategies, such as offshoring, outsourcing, and the use of remote or contract workers, as methods of managing costs. While these strategies can reduce expenses, they introduce additional HR challenges related to training, compliance, cultural differences, and workforce transitions. Human resource professionals are often responsible for supporting displaced workers, onboarding new talent, and ensuring legal and ethical standards are maintained.

Global workforce issues are discussed further in Chapter 14 “International HRM”, and training for new workers will be discussed in Chapter 8 “Training and Development”.

Figure 1.5



Caption: One of the biggest contemporary challenges in HRM is figuring out the balance between what benefits to offer versus the impact those benefits have on employee motivation.

winnifredxoxo – [balance scale](#) – CC BY 2.0.

Of course, cost containment isn’t only up to HRM and managers, but as organizations look at various ways to contain costs, human resources can certainly provide solutions.

Technology

Technology has greatly impacted human resources and will continue to do so as new technology is developed. Through use of technology, many companies have virtual workforces that perform tasks from nearly all corners of the world. When employees are not located just down the hall, management of these human resources creates some unique challenges. For example, technology creates an even greater need to have multicultural or diversity understanding. Since many people will work with individuals from across the globe, cultural sensitivity and understanding is the only way to ensure the use of technology results in increased productivity rather than decreased productivity due to miscommunications. Chapter 3 “Diversity and Multiculturalism” and Chapter 14 “International HRM” will discuss some specific diversity issues surrounding a global workforce.

Technology also creates a workforce that expects to be mobile. Because of the ability to work from home or anywhere else, many employees may request and even demand a flexible schedule to meet their own family and personal needs. Productivity can be a concern for all managers in the area of flextime, and another challenge is the fairness to other workers when one person is offered a flexible schedule. Chapter 6 “Compensation and Benefits” and Chapter 7 “Retention and Motivation” will discuss flextime as a way to reward employees. Many companies, however, are going a step further and creating virtual organizations, which don’t have

a physical location (cost containment) and allow all employees to work from home or the location of their choice. As you can imagine, this creates concerns over productivity and communication within the organization.

The use of smartphones and social networking has impacted human resources, as many companies now disseminate information to employees via these methods. Of course, technology changes constantly, so the methods used today will likely be different one year or even six months from now.

The large variety of databases available to perform HR tasks is mind boggling. For example, databases are used to track employee data, compensation, and training. There are also databases available to track the recruiting and hiring processes. We will discuss more about technology in HR in Chapter 4 “Recruitment” through Chapter 8 “Training and Development”.

Of course, the major challenge with technology is its constantly changing nature, which can impact all practices in HRM.

How Would You Handle This?

Too Many Friends

You are the HR manager for a small company, consisting of twenty-three people plus the two owners, Steve and Corey. Every time you go into Steve’s office, you see he is on Facebook. Because he is Facebook friends with several people in the organization, you have also heard he constantly updates his status and uploads pictures during work time. Then, at meetings, Steve will ask employees if they saw the pictures he recently uploaded from his vacation, weekend, or backpacking trip. One employee, Sam, comes to you with a concern about this. “I am just trying to do my job, but I feel if I don’t look at his photos, he may not think I am a good employee,” she says. How would you handle this?

Cyberloafing, a term used to describe lost productivity resulting from employees using workplace technology for personal purposes, remains a concern in modern organizations. With the widespread use of smartphones, social media, and remote-work technologies, personal internet use during work hours has become more common.

Recent research suggests that brief personal technology use does not always harm productivity and may, in some cases, help employees recover from stress; however, excessive or prolonged use can negatively affect performance and focus. While some organizations attempt to limit or monitor internet access, overly restrictive policies may lead to employee frustration and reduced motivation, highlighting the need for balanced and clearly communicated technology-use guidelines. Chapter 13 “Safety and Health at Work” will deal with some of these stress issues, as well as safety issues such as carpal tunnel, which can occur as a result of technology in the workplace. More on health and safety will be covered in Chapter 10 “Managing Employee Performance”.

The Economy

Economic conditions continue to have a significant impact on organizations and their human resource practices. During economic downturns, high unemployment and layoffs present critical challenges for managers and HR professionals. In unionized organizations, collective bargaining agreements guide downsizing decisions, while legal considerations—such as labor laws and anti-discrimination requirements—must remain at the forefront of any workforce reduction strategy. Performance management and employee assessment data are often used to support layoff decisions.

Conversely, during periods of economic growth, HR managers may face different pressures, including rapid or large-scale hiring to meet increased demand. Advances in technology, such as applicant tracking systems, virtual hiring events, and data-driven recruiting tools, have become essential in managing high-volume recruitment. Although hiring at scale presents unique challenges, established recruiting and selection processes continue to provide a foundation for effective workforce expansion.

The Changing and Diverse Workforce

Human resources should be aware that the workforce is constantly changing. For example, in the 2023 census, the national population was 336.8 million people, with 122.6 million working full time. For full-time workers, the average weekly salary was higher the more educated the worker. See [Figure 1.6](#) for details.

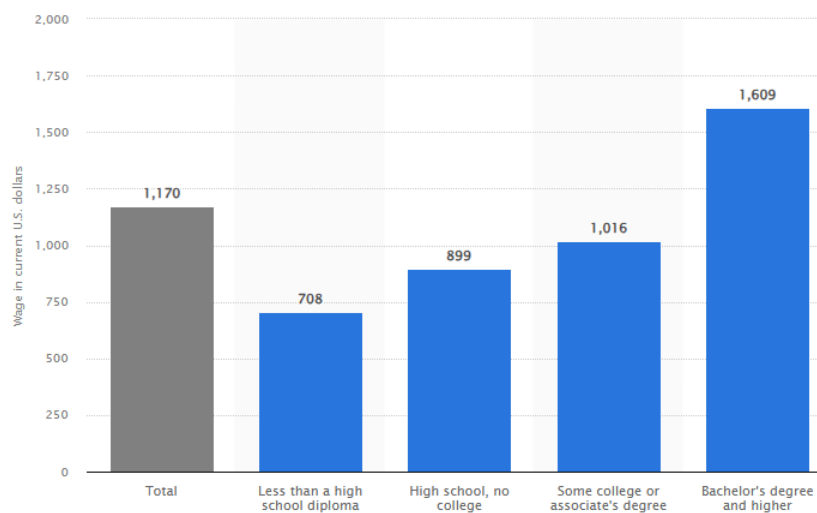


Figure 1.6: The average weekly earnings for workers in the United States increase with more education. Source: Statista. Data from US Bureau of Labor Statistics, “U.S. workers median weekly earnings 2023, by level of education,” Table 5, Economic News Release, August 2023, <https://www.statista.com/statistics/...al-attainment/>.

Multigenerational Workforce and Aging Employees

A multigenerational workforce is now a permanent feature of the modern labor market, with organizations simultaneously employing Baby Boomers, Generation X, Millennials, and Generation Z. Rather than focusing solely on Generation Y (Millennials), employers today must design recruitment and retention strategies that appeal to multiple generations with differing values, expectations, and work styles.

Organizations such as Xerox have long recognized the importance of adapting recruiting strategies to generational differences, moving away from one-size-fits-all approaches. Early initiatives, such as targeted employer branding and partnerships with key academic institutions, laid the groundwork for today’s data-driven and technology-enabled recruiting practices. Modern recruitment efforts emphasize purpose-driven work, opportunities for skill development, diversity and inclusion, flexibility, and the ability to contribute meaningfully—values that resonate strongly with younger generations while remaining relevant to experienced workers. Many organizations continue to partner with “core colleges” and universities that produce specialized talent, while also leveraging digital platforms, virtual recruiting events, and social media to reach emerging talent pools.

At the same time, demographic shifts associated with the aging workforce continue to present major challenges for human resource management. Baby boomers—defined by the U.S. Census Bureau as individuals born between 1946 and 1964—have been reaching traditional retirement age over the past decade. While many have already exited the workforce, others are delaying retirement due to longer life expectancy, financial considerations, or changing attitudes toward work. Nonetheless, large-scale retirements are ongoing and are expected to continue through the late 2020s and early 2030s, intensifying competition for skilled labor.

The retirement of baby boomers has several significant implications for organizations. First, it reduces the availability of experienced workers at a time when labor shortages already exist in many industries. Second, retirements often result in the loss of institutional knowledge that is not formally documented but is critical to organizational success. Third, an aging population contributes to rising health-care and retirement-related costs, affecting both employers and public systems such as Social Security. As the ratio of active workers to retirees continues to decline, financial pressure on these systems increases, with potential consequences for both current employees and future retirees.

As a result of these trends, human resource managers must take a proactive and strategic approach to workforce planning. This includes monitoring retirement patterns, identifying critical skill gaps, implementing knowledge transfer and succession planning initiatives, and staying informed about changes in Social Security legislation and health-care policy. Understanding the current workforce and accurately forecasting future talent needs are essential components of strategic human resource management and are necessary to address the long-term challenges posed by an aging and multigenerational workforce.

Figure 1.7



Developing an HR strategy around retirement of workers is a key factor in working with a multigenerational workforce. In addition, HR must understand the various psychologies of varying ages of workers and develop benefits and compensation that meet the needs of all generations.

Christopher Schwarzkopf – [Wikimedia Diversity Conference 2013](#) – CC BY-SA 3.0.

? Human Resource Recall

Have you ever worked in a multigenerational organization? What were some of the challenges in working with people who may have grown up in a different era?

Another significant challenge facing organizations—beyond labor shortages—is the management of a multigenerational workforce. Today’s employees may range in age from late teens to late sixties and represent multiple generations with differing values, communication styles, and expectations regarding work. Managing employees from these diverse generational backgrounds can present challenges for managers, particularly when attempting to balance varying motivations, career goals, and work preferences.

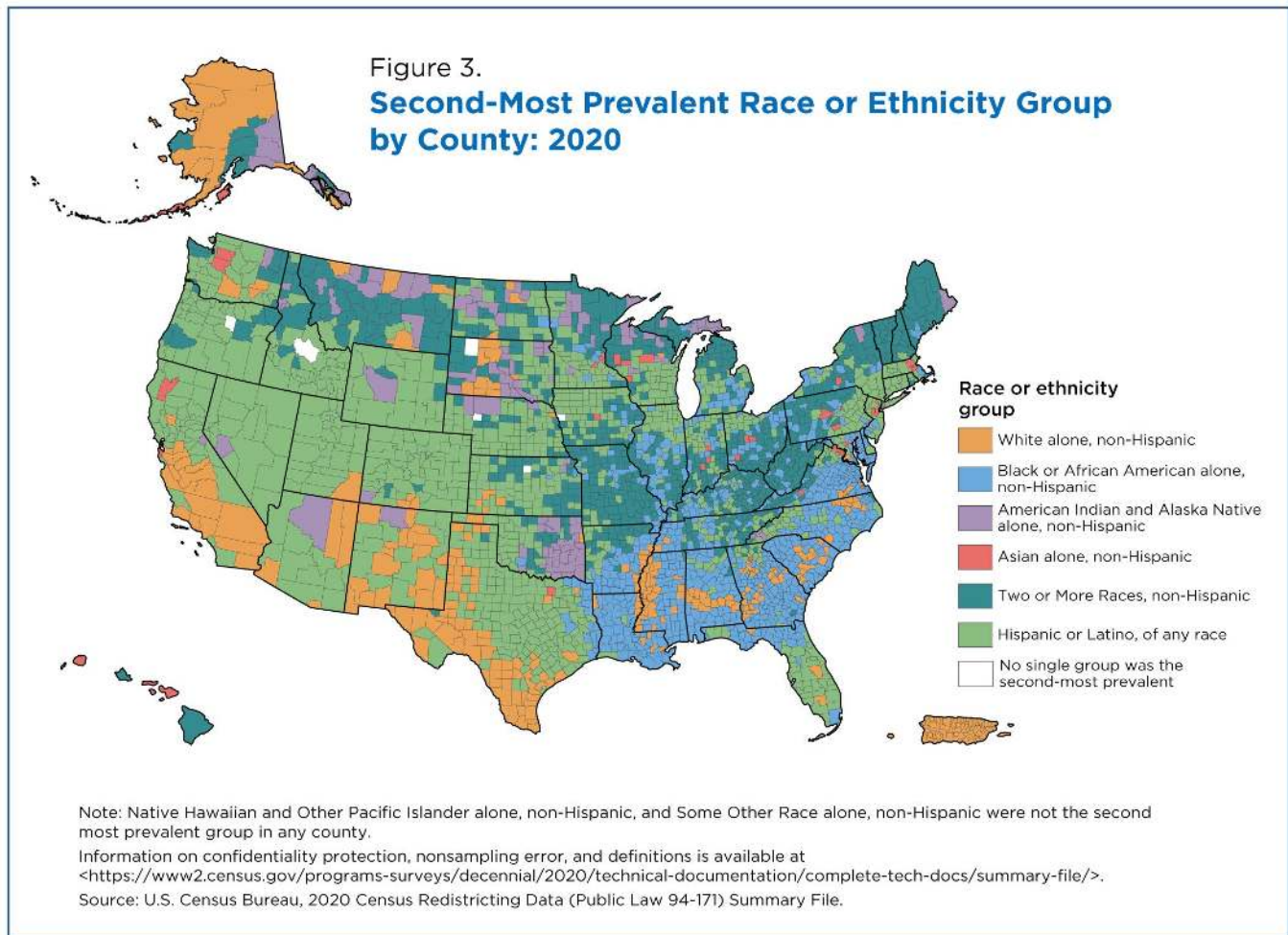
Compensation and benefits expectations often differ across generations as well. For example, many Baby Boomers began their careers during a period when defined-benefit pension plans were common and long-term loyalty to a single employer was emphasized. In contrast, younger workers are more likely to expect portable retirement options such as 401(k) plans, along with flexible benefits, work-life balance, and opportunities for continuous skill development. These differing expectations highlight the need for organizations to design compensation and motivation strategies that address a wide range of employee preferences. Throughout this book, compensation and motivational strategies for managing a multigenerational workforce will be explored.

In addition to generational differences, workforce diversity remains a central concern in human resource management. Diversity encompasses characteristics such as age, disability, race, sex, national origin, religion, and other individual differences. Each of these factors contributes to a diverse and productive workforce, and employees may have distinct needs, goals, and expectations based on their backgrounds and experiences. For this reason, it is important for HR professionals to understand how to effectively motivate a diverse workforce while ensuring compliance with employment laws and regulations.

Issues related to diversity awareness and inclusion are addressed in Chapter 3 “Diversity and Multiculturalism”, while legal considerations related to diversity are discussed throughout the text. Diversity refers to age, disability, race, sex, national origin, and religion. Each of these components makes up the productive workforce, and each employee has different needs, wants, and goals. This is why it is imperative for the HRM professional to understand how to motivate the workforce, while ensuring that no laws are broken. Specific laws and practices related to diversity are examined in Chapter 3 “Diversity and Multiculturalism”,

Chapter 4 “Recruitment”, Chapter 5 “Selection”, Chapter 6 “Compensation and Benefits”, and Chapter 7 “Retention and Motivation”.

Figure 1.8 Demographic Data for the United States. Second-most prevalent racial or ethnic groups by county in 2020.



Source: Map courtesy of the US Census Department.

Ethics

A discussion of ethics remains essential when examining the challenges of human resource management. While widespread attention to corporate ethics intensified following major corporate scandals in the early 2000s, ethical concerns continue to shape organizational decision-making today. High-profile cases involving financial misconduct, data privacy violations, workplace harassment, and failures in corporate governance have reinforced the importance of ethical leadership and accountability. Research consistently shows that employees expect honesty and transparency from organizational leaders and believe that employers have a broader moral responsibility to society. As a result, ethical workplaces are increasingly viewed as critical not only to shareholder confidence but also to employee trust, engagement, and retention.

Human resource departments play a central role in promoting ethical behavior within organizations. Many HR professionals are responsible for developing codes of ethics, establishing ethical decision-making frameworks, and implementing training programs that reinforce ethical standards. In larger organizations, ethics and compliance responsibilities are often formalized through the appointment of ethics officers or chief ethics and compliance officers (CECOs). These roles are typically positioned at a senior level and may report directly to the CEO, legal counsel, or human resources leadership, underscoring the strategic importance of ethics in organizational governance. The presence of a designated ethics leader helps ensure that ethical policies and expectations are clearly communicated, consistently enforced, and integrated into everyday business practices.

Organizations increasingly recognize that ethical behavior must be modeled by leadership and supported through ongoing education and oversight. For example, many companies provide ethics training for managers and employees, maintain confidential reporting systems for ethical concerns, and regularly review compliance with ethical standards. Ethics officers often monitor reports of misconduct, investigate complaints, and lead training initiatives related to codes of ethics or codes of conduct.

A code of ethics is a formal document that outlines expected standards of behavior and provides guidance for ethical decision making. Many large organizations maintain comprehensive codes of conduct that define ethical principles, address conflicts of interest, outline compliance expectations, and specify consequences for violations. However, simply having a written code is not sufficient to ensure ethical behavior. Effective ethics programs also require consistent enforcement, leadership commitment, employee training, and clear accountability mechanisms. By developing policies, monitoring behavior, and reinforcing ethical expectations, organizations can promote a culture that supports fairness, legality, and integrity.

An example of commonly emphasized ethical principles in corporate codes of conduct includes the following:

- Comply with all applicable laws and regulations governing business conduct
- Act with honesty, fairness, and integrity in all professional relationships
- Avoid conflicts of interest between personal and organizational interests
- Promote fair employment practices and respect diversity and inclusion
- Maintain a safe workplace and protect the environment
- Encourage ethical leadership and accountability at all organizational levels

Key Takeaways

- One of the most important roles of human resource management is to add strategic value to the organization by aligning HR practices with the organization's overall mission and strategic goals.
- Cost management remains a major challenge in HRM. Organizations use a variety of strategies to control costs, including flexible benefits offerings, wellness initiatives, and data-driven compensation and benefits planning.
- HRM contributes to cost containment and organizational effectiveness by designing, delivering, and evaluating training and development programs that improve employee productivity, engagement, and skill readiness.
- Recruitment and hiring are among the most expensive HR activities, making it essential for organizations to implement effective selection processes to ensure the right candidates are hired the first time. Employee turnover—the departure of employees from an organization—continues to be a significant cost and management challenge.
- Effective communication is critical to organizational success. Poor communication can result in wasted time, reduced productivity, and employee dissatisfaction. Understanding communication styles, channels, and individual differences can improve organizational outcomes.
- Technology has transformed the workplace and presents both opportunities and challenges for HRM. Advances in technology have enabled flexible work arrangements, such as remote and hybrid work, but also require new approaches to performance management, supervision, and employee engagement.
- Because technology is deeply integrated into modern work, managing personal technology use (sometimes referred to as cyberloafing) has become an ongoing challenge. While limited personal use may not always harm productivity, excessive use can contribute to distractions, stress, and work-life balance concerns.
- Economic conditions significantly influence HR decision-making. During economic downturns, HR managers must carefully consider legal, ethical, and union-related implications of layoffs and workforce reductions. During periods of economic growth, HR must plan for rapid or large-scale hiring to meet organizational demand.
- Demographic shifts, including the aging workforce and the continued presence of multiple generations, present long-term challenges for HRM. The retirement of baby boomers contributes to labor and skill shortages, while multigenerational workforces require tailored motivation, compensation, and engagement strategies.
- Workforce diversity—including differences in age, race, gender, disability, national origin, and religion—remains a critical HRM focus. HR professionals must foster inclusive practices while ensuring compliance with employment laws and regulations.

- Ethical behavior and compliance are central responsibilities of HRM. Establishing ethical standards, developing and enforcing codes of conduct, providing ethics training, and monitoring ethical behavior are essential to maintaining employee trust, organizational integrity, and long-term success.

? Exercise 1.3.1

1. Research the various generations: Silent Generation, Baby Boomers, Generation X, Generation Y (Millennials), and Generation Alpha. Compare and contrast five differences between the generations. How might these differences impact HRM?
2. Review news articles on the current state of the economy. Which aspects of these articles do you think can relate to HRM?

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1.4: Relevant HR Laws, Regulations, and Court Cases

Learning Objectives

- Describe the connection between the national events and the advent of HR laws
- Understand the various laws that are in place today to protect workers

HR and the Law

As we will see in later chapters, the purpose of HR is to facilitate employee engagement as a primary focus within the organization. Their strategic role in the organization serves as a competitive advantage in this regard when executed properly. However, a more basic function of the human resource department is compliance with the legal environment. We learned in chapter 1 that labor practices in the United States have progressed substantially since before the founding of the country. The purpose of this chapter is to provide a more detailed review of the labor laws in the U.S. that impact modern practice.

HR is primarily reactive when it comes to legal compliance. The courts or legislation create new compliance rules and regulations. HR's role is to understand and apply those regulations to their organization. There are organizations such as the Society of Human Resource Management (SHRM) and other industry associations that keep managers abreast of political movements, so that HR departments can prepare implementations of compliance programs. However, it is paramount for HR managers to understand the social, economic, and cultural environment so that they might be able to anticipate new regulations, and to create a culture that responds to the needs and demands of society even before the legal factors impact them. In this chapter, we will review not only the laws that affect modern HR practices, but we will also give a historical context to allow for a broader understanding of where these laws come from.

A few examples for modern practitioners. Some states have legalized marijuana, while others maintain the use of this drug as a misdemeanor. At the federal level, marijuana is still considered a controlled substance. If you are a company operating in Kansas (where marijuana is illegal), and you have an applicant from Colorado (where marijuana is legal), what does an HR manager make of the results of a pre-employment drug screening? Another example lies within equal employment – as the social tensions concerning race and minority inclusion continue to escalate in all aspects of culture, how will HR departments respond in hiring practices, training, teambuilding, and development within their organization? In regards to benefits, what response should HR managers provide to conservative employees who feel like their voice is not being heard amid the politically charged workplace environments? For example, their desire not to have health plans that include collective bargaining for services such as abortion and contraception creates an ethical challenge. In what ways will genetic information, artificial intelligence, cyber defense, and working from home in a post-Covid pandemic play in future practice and legal compliance? All of these questions remain unanswered for now, and new questions will arise in the future. For this reason, an HR manager needs to understand the external environment so that an appropriate strategy and response can be formulated internally.

National Labor Relations Act (1935)

Historical Context

Even though the industrial revolution was coming to an end by the beginning of the 1900s, labor practices and workplace conditions had not improved much from the previous century. Factories provided in many cases abhorrent conditions, and there were not many protections in place for the worker to turn to. Individually, the worker had little power to negotiate wages, benefits, conditions, or status within the company. Collectively, the workforce had no mechanism in place to allow for a concerted effort in these same regards. In response to these conditions, the National Labor Relations Act (NLRA) was passed.

The Legislation

The NLRA of 1935 was the first piece of legislation in the US that guaranteed the rights of private sector workers to unionize. This meant that they could establish trade unions, negotiate for better wages and benefits (known as collective bargaining) and organize company wide or industry wide strikes. This act created the National Labor Relations Board as the executive body tasked with investigating violations of the act. This act prohibited employers from interfering with the formation efforts of employees of their organization, coercing employees from joining such unions, engage in discriminatory practice against workers involved in a trade

union, as well as established protocols for violations of the act. The act explicitly protected the rights of workers by stating “Employees shall have the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection, and shall also have the right to refrain from any or all of such activities except to the extent that such right may be affected by an agreement requiring membership in a labor organization as a condition of employment as authorized in section” The conditions for unionization, protection against unfair practices, and collective bargaining are still in use today across many industries, especially in the trades such as steel, electricity, plumbing, pilots, dockyard workers, truck driving, education, and many more.



Fair Labor Standards Act (1938)

Historical Context

The Great Depression of the 1930s created a surplus of workers in the U.S. labor force. Now more than ever, the worker was expendable because labor could be replaced quickly and cheaply. We reviewed the NLRA as the first attempt to level the negotiating power between employee and employer. Employers now had to consider the collective entity of their workforce and were prohibited from preventing unionization. However, a second piece of legislation was needed to establish base levels of workplace fairness. Unionization still did not address the issues of child labor, minimum wages, and maximum work hours. The first attempt to establish minimum workplace standards was the Fair Labor Standards Act (FLSA).

The Legislation

The NLRA of 1938 created minimum standards for the workplace. First, a national minimum wage was established to create a wage floor for workers. The first minimum wage was set at \$0.25 per hour. Second, the act prohibited “oppressive child labor” by stating that minors were not allowed to work in jobs considered hazardous to children. The act set a baseline of forty hours per week, and any hours worked in excess of that were subject to 1.5x the normal wage for a position. Since its inception, the FLSA has been modified many times, updating the minimum wage from time to time, and expanding the protections for workers. The FLSA is still in full force today and provides clarification for many of the minimum standards of the workplace.

Civil Rights Act (1964)

Historical Context

Following the Civil War in 1865, state and federal legislation allowed for the institution of laws that were known as the Black Codes, which were pre-cursors to the Jim Crow laws. These laws legalized segregation and prevented Black Americans from voting, holding certain jobs, getting an education and hindered workplace opportunities. Anyone trying to violate these laws would face legal penalties such as arrest, fines, jail sentences, and social penalties such as violence, persecution, and murder. Emmett Till was murdered in 1955 in Money, MS as a result of the blatant racism of the local community. He was beaten and drowned. His mother decided to allow for an open casket so that his death could be a statement of what racism looked like in modern America. Emmet Till’s death was the catalyst for much of what took place in the next decade in the Civil Rights movement. The Civil Rights movement of the 1960s was characterized by the efforts of Martin Luther King and Rosa Parks. They gave a voice to the discrimination taking at all levels of society. Even though *Brown v. Topeka Board of Education* had desegregated schools in 1954, unequal treatment of blacks and whites was still prevalent in both schools and workplaces. The Civil Rights Act of 1964 was the solution many were calling for.



The Legislation

The Civil Rights Act of 1964 prohibited by the law workplace discrimination. Employers were forbidden from discriminating based on race, color, religion, sex, and national origin. It was the first attempt in American culture of working towards a fair workplace. Employers were compelled to show equal consideration of all employees when it came to hiring practices, promotions, firing, layoffs, and benefits. The act established the Equal Employment Opportunity Commission as the investigative agency of the executive branch of government.

Vietnam Era Veterans' Readjustment Assistance Act (1974)

Historical Context

The enormous protests of the Vietnam War throughout the 1960s and early 1970s translated into a disdain for American Vietnam veterans upon conclusion of the war. Soldiers returning home faced resentment, scorn, and blatant hostility. Protestors who disagreed with the political premise of the war itself now focused their negative energy on the participants of the war. This was a stark contrast to the welcomed arms that WWII veteran saw upon their return home 30 years earlier. The discrimination against veterans manifested itself in both the social and professional arenas. Many veterans kept their service backgrounds a secret throughout the 1970s and 1980s because of the negative response and discrimination many employers showed towards veterans.

The Legislation

The Vietnam Era Veteran's Readjustment Assistance Act (VEVRAA) of 1974 attempted to prevent workplace discrimination of veterans returning home. The law covered soldiers who fought in the Vietnam War, and had special protections for disabled veterans. The law has since been expanded to include veterans of the Gulf War and beyond. Charges of workplace discrimination under this act are brought to the Office of Federal Contract Compliance Programs.

Pregnancy Discrimination Act (1978)

Historical Context

The cultural revolution of the 1960s led to an increase in the number of women in the U.S. workforce. This increase in women led to discrimination in the workplace when they would become pregnant. There were no federal protections in place to address workplace discrimination of pregnant women. Many would lose their jobs when they became pregnant, were denied employment if they were or expressed plans to have a family. In fact, *General Electric v. Gilbert* held that pregnancy discrimination was not covered by the Civil Rights Act of 1964.

The Legislation

In response to the growing number of women in the workplace, Congress passed the Pregnancy Discrimination Act (PDA) of 1978. Provisions of this act prohibited workplace discrimination of women when they became pregnant. Specifically, the act covers the hiring, firing, compensation, job tasks, job promotion, and especially benefits such as leave and health coverage. Pregnancy was to be treated as a temporary disability as it states: "If an employee is temporarily unable to perform her job due to pregnancy, the employer must treat her the same as any other temporarily disabled employee; for example, by providing light duty, modified tasks, alternative assignments, disability leave, or leave without pay. An employer may have to provide a reasonable accommodation for a disability related to pregnancy, absent undue hardship (significant difficulty or expense)."

Americans with Disabilities Act (1990)

Historical Context

While attention was being given to discrimination in the workplace as highlighted by both the Civil Rights Act and the Pregnancy Discrimination Act, disabilities in the workplace were not a covered protection. This was especially relevant to disabled veterans returning from Vietnam as they entered the workforce with lasting physical disabilities such as missing limbs and psychological disabilities such as PTSD.

The Legislation

The Civil Rights Act prohibited discrimination in the workplace against a wide scope of classifications. However, individuals with disabilities were not a part of the protected group. The Americans with Disabilities Act of 1990 explicitly provided these protections by compelling employers to make reasonable accommodations to employees to carry out their jobs with both short term and life long disabilities. The act also created a requirement for disability access to public accommodations. Disabilities under this act included both physical and mental medical conditions. The EEOC is charged with investigating allegations of mistreatment or discrimination based on ADA. The EEOC provides guidelines on what is considered a disability and includes “deafness, blindness, an intellectual disability (formerly termed mental retardation), partially or completely missing limbs or mobility impairments requiring the use of a wheelchair, autism, cancer, cerebral palsy, diabetes, epilepsy, attention deficit hyperactivity disorder, Human Immunodeficiency Virus (HIV) infection, multiple sclerosis, muscular dystrophy, major depressive disorder, bipolar disorder, post-traumatic stress disorder, obsessive compulsive disorder, and schizophrenia.” It is important to note that conditions such as voyeurism, pedophilia, kleptomania, pyromania, and other socially unacceptable conditions are not covered by the act.

Family Medical Leave Act (1993)

Historical Context

As Bill Clinton and first lady Hillary Clinton came into office in 1992, their primary goal was to establish a universal healthcare system in the U.S. Their focus on affordable and accessible healthcare did not result in sweeping changes to the health system, even after eight years in office. However, one outcome of this era was that workplace protections for those experiencing medical situations came to light.

The Legislation

Under the Family and Medical Leave Act of 1993, employees are entitled to take off up to 12 weeks of unpaid leave to care for a new child (natural birth, fostered, or adopted), care for a family member who is seriously ill, or to recover from a serious illness. To qualify for FMLA, an employee has to work at least 1,250 hours over the previous 12 month term. Under this law, employees taking time off have the right to their job or a similar role upon return to the company. The law gives companies the right to require individuals taking FMLA to use up the balance of their sick leave, vacation leave during any or all of the 12 week leave period.

Story from the HR World: A man stays home

Joel and his wife were always hopeful they would have children, so when they adopted their first daughter they began the exciting journey of parenthood. There was only one, problem, Joel had to figure out a way to tell his boss, Antonio that he would be taking two weeks off work to care for his new born baby girl. The struggle he was up against was the perception his boss Antonio had regarding husband's staying home after the addition of a baby. In the previous year, Antonio had been reprimanded by human resources for giving another employee a hard time for taking off two days of work to be with his wife and child in the days following birth. Antonio's comment "why do you need to stay home, she is the one who had the baby," resounded throughout an otherwise quiet office. Joel came into the office on a Monday morning to inform Antonio of his decision to take two weeks off, and that he would file the paperwork with HR for FMLA. Antonio smiled and said only, "ok." Apparently, whatever HR told him in the aftermath of the harassment claim compelled him to refrain from making any more comments about men staying home. Given the protection of FMLA, Joel took his time off and spent two weeks getting to know his new child. Had this situation transpired even decades before, Joel would have suffered more drastic consequences and not been protected by the evolution of federal laws that have focused on rights such as these.

Landmark Court Cases

The Civil Rights Act of 1964 and subsequent legislation provided a framework for workplace equality. In theory, organizations were supposed to treat all stakeholders fairly. The reality is that this landmark piece of legislation was far from clear in practice. Over the next three decades, the Supreme Court worked through several cases that defined exactly what workplace discrimination was and what it meant for both employers and employees. The legal precedents these cases set provided clarification on workplace dynamics such as sexual harassment, disparate impact, and disparate treatment. Sexual harassment is the unwelcomed or inappropriate sexual comments or physical advances in the workplace. Sexual harassment also includes requesting or coercing sexual favors from a subordinate or co-worker as a means to offer some workplace benefit (promotion, compensation, status, etc). Disparate impact is the result of unintended discrimination against a group of individuals. This happens when an organization practice results in different treatments for groups. Requiring employees to be able to lift heavy objects when its not necessary to the execution of the job would unfairly favor men over women, for example. Disparate treatment is explicit practices that discriminate against groups. These practices are more overt and make up the behaviors which we typically think of as workplace discrimination such as personal statements by hiring managers reflecting prejudice, or giving one group of people a pre-employment test but not the other. The following court cases provide clarity on what warrants workplace discrimination practice.

Griggs v. Duke Power Company (1970)

In this case, Willie Griggs filed suit against his employer. His argument was that the employer required an aptitude test be administered for employees wishing to transfer to the higher paying roles within the organization. Additionally, the transfer to these jobs required a high school diploma. These requirements resulted in a larger number of white employees securing higher paying jobs. The court found that the practice of requiring aptitude tests and high school diplomas resulted in disparate treatment of the two groups. This case set the precedent that any workplace testing required a business purpose.

Albermarle v. Moody (1975)

Albermarle Paper Company had a seniority system and pre-employment tests that resulted in segregation of workers. In a similar suit to the Griggs case, the Albermarle v. Moody ruling found that testing had to be work-based – meaning that it had to test for relevant workplace characteristics or skillsets. The precedent in this case was that in hiring practices, pre-employment screenings had to meet these standards. Additionally, the courts awarded backpay for the workers who were denied promotions.

Ward Cove v. Atonio (1989)

In an Alaskan salmon cannery, workers alleged racial discrimination in hiring practices, based on the number of whites in management positions as compared to the number of minorities. The numbers showed that most of the manual labor jobs were given to minority workers, and the non manual labor jobs were predominantly white. The plaintiffs came to the court with the number disparities as proof of disparate impact. However, the court ruled that numbers alone do not prove discrimination, but rather there had to be evidence of hiring practices that led to the disparity. In this case the applicants to the cannery jobs were predominantly minority, but the skilled management positions had few minority applicants.

Oncale v. Sundowner Offshore Services (1997)

Joseph Oncale was employed in an off-shore oil rig in the Gulf of Mexico. During his employment he was subjected to harassment, physical assault, humiliation, and sexualized acts that were performed towards him. He was even threatened with rape. He eventually left the company and file a suit, claiming the work environment violated the Civil Rights Act. This case was unique in that Oncale's claims were based on same-sex harassment, given the all-male crew of the rig. The courts agreed with Oncale and ruled in his favor, setting the precedent that workplace discrimination could entail same-sex harassment.

Burlington Industries v. Ellerth (1998)

During the time that Kimberly Ellerth worked for Burlington Industries, she was sexually harassed by her supervisor, Todd Slowik. He made sexual advances to Kimberly and she refused. She did not alert the organization to Todd's behaviors until after she left the organization and filed suit. The court ruled that even though Kimberly's career was not negatively affected by her refusal, the organization is still responsible for the sexual harassment of their workers, even if they had no knowledge of the harassment. The precedent states that employers are vicariously responsible for employee's actions of sexual harassment.

Faragher v. City of Boca Raton (1998)

Beth Faragher worked as a lifeguard at a city pool in Boca Raton Florida. During her employment her supervisors made unwanted advances, touched female lifeguards inappropriately, and made derogatory comments about women in general, referencing female body parts and oral sex. The supervisors stated they would never promote women, and one even told Faragher “date me or clean the toilets for a year.” The case was brought before the court as a violation of the Civil Rights Act with the claim that the supervisors created a “hostile work environment.” The courts ruled that sexual harassment could be the result of the work environment being hostile and held the organization responsible.

Ledbetter v. Goodyear Tire & Rubber Co.

Lilly Ledbetter was employed by Goodyear Tire. She brought a case before the court alleging unequal pay between men and women within the organization. Despite the evidence that suggested disparate compensation between the genders, the court ruled that the suit was invalid. They claimed that the statutory regulations required her to file suit within 180 days of when the first act of discriminatory pay happened (meaning the first paycheck). Her claim was beyond the 180 days. This ruling was not a rejection of the unequal pay claims, but rather a reaffirming of statutory law. As a result, Congress passed the Lilly Ledbetter Fair Pay Act which moved the 180 day clock from the beginning to the most recent paycheck.

CRITICAL THINKING QUESTIONS

1. The Civil Rights Act is considered the first piece of legislation to establish workplace fairness. Which piece of legislation thereafter do you think created the most benefit for the modern worker?
2. Make your case for which court case had the biggest impact on modern workplace fairness.

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1.5: The Functions of Modern HR Practice

Learning Objectives

- Describe the fifteen functions of modern human resource management practice
- Understand the complementary nature of the functions as they relate to each other

The Successful HR Manager

Successful HR managers focus both on the task and on the relational aspects of their job. They need the technical understanding of their role, but predominantly they serve as an interface between the organization and its employees. The personal skillsets that make an HR manager successful focus on this rapport-building dynamic. An effective HR manager employs leadership and organizational navigation by creating initiatives that align with organizational values and builds culture. A virtuous HR manager focuses on not only the ethical implications of their personal actions, but how they drive the ethical culture of the organization. This includes accountability, integrity, professionalism, and compliance. A capable HR manager also understands the organization's strategy and how the organization makes money so that they can complement those efforts. A valuable HR manager serves in a consultation role whereby managers and employees can solicit ideas and feedback on personnel issues. A relationship-oriented HR manager also focuses on improving their cultural awareness and applies that understanding in their interactions with all stakeholders. An articulate HR manager knows how to express their ideas and interpret messages between the various levels of the organization.



The Basic Functions of Human Resources

Organizations vary in size and operational scope. Therefore, the size and the function of the human resource department will vary, to reflect their organization's need. In smaller organizations, HR managers provide a generalist role, performing all the tasks of the HR department. In larger organizations, a HR department will consist of specialists, who dedicate their time to a specific function within HR. Regardless of the size of the HR department, there are a general set of functions that HR performs. We have already reviewed the progression of labor practices in the U.S. and can see how far the profession has come. These functions are the result of decades and in some cases centuries of refinement. Generally accepted HR functions include

- talent acquisition and retention
- employee engagement
- learning and development
- total rewards
- HR structuring
- organizational effectiveness and development
- workforce management
- employee relations
- technology and data
- global contextualization
- diversity management
- risk management
- corporate social responsibility (CSR)
- U.S. employment law and regulations

- HR strategy

What we will see in later chapters is that if the functions listed here are performed harmoniously with each other, they can result in a high-performance work system. Each function compliments the next as HR works to maximize the professional and personal potential of each member of the organization.

Talent Acquisition and Retention

Every organization needs people. The talent acquisition and retention role of HR is the mechanism that organizations use to recruit and keep good talent. HR performs tasks such as job analysis which entails understanding the skills and characteristics needed for each role. They then design the job around those skillsets and begin the process of recruiting. Understanding the labor needs of the organization also requires HR to conduct a personnel plan which communicates how many current and future employees are needed. If there are more jobs required in the future, HR creates a recruitment plan to fill those needs. If the organization projects a surplus in labor, they have several options. This means they could need to lay workers off, or redesign jobs to retain employees. These tasks are important in attracting talent to the organization. They are the logistical execution of the talent acquisition role of HR. However, more important to the success of talent acquisition is corporate culture. A culture where employees find fulfillment and engagement will attract the right talent, and improve the retention numbers. For this reason, may suggest that HR is a builder and protector of culture. In the search process they have the dual task of attracting talented employees, but also finding people who are a positive contribution to the company's culture.



Story from the HR World: An offer 4 months too late

Dawn worked her tail off to get where she was in the fertilizer marketing firm she worked for. She spent extra hours on the road, conducted thorough analysis, and came in early to knock out small tasks before the meetings of the day. As a result, she was well known in the industry for her ability to provide customers with product in a timely manner, and had excellent rapport with most of her clients. She received a call from a headhunter one afternoon, indicating that one of her competitors based in North Dakota would like to hire her as the North American sales manager. She agreed to take the interview, and upon conclusion of the two day affair, she flew home expecting she would receive an offer from the company. The headhunter called her a week later and indicated that the search had been called off and that they would no longer be hiring a sales manager. Disappointed, Dawn went back to the daily grind where she continued to perform at a high level. Four months later, on a frozen night in January while walking home from dinner at a conference in Madison, WI she received a call from the sale headhunter. "The VP has changed his mind, and would like to extend an offer," he said to Dawn as she stood in the lobby of the hotel. The compensation package was more than she had received even in her best year at the company. After consideration to the prospect of moving to North Dakota, Dawn declined the offer. She had recently bought a house, and found out she was pregnant the month before. She made it clear that had the offer come four months earlier, and had the company not demonstrated such a low level of corporate organization in how they interviewed candidates and then pulled everything back, she would have likely accepted the position. In this situation, the talent acquisition function of HR failed to attract one of the bright stars of the industry because of organizational issues.

Employee Engagement

Employee engagement is the task of getting the most out of employees. This means that the organization has to find ways to motivate their team in an attempt to improve employee's feelings and emotional connection to the organization. HR understands that by focusing on engagement, productivity and culture will improve. There are several tactics that HR can use to engagement employees. HR should leverage the executive leadership team to take an active role in investing their time and resources in employees. This means being visible, transparent, available, and charismatic. Many organizations get their culture from the

personal identity of the leader. Most notably the entrepreneurial spirit of Elon Musk or the commitment to the environment demonstrated by Patagonia founder Yvon Chouinard. HR plays a role in training managers how they can engage their employees as well. HR can most easily facilitate engagement through a series of organizational activities such as team building exercises, retreats, corporate competitions, and charitable events. Finally, HR should take measures to measure employee engagement so that they can see the effectiveness of their efforts.

Learning and Development

Learning and development is the element of HR that focuses on the skill improvement of organizational members. This can entail acquiring knowledge or improving a skillset. Training focuses on the short-term application of new skills, knowledge, attitudes or perspective. This translates into more immediate, short term performance improvement. Development is focused on the long-term career orientation of the individual. This involves broadening and deepening knowledge and skills as it aligns with the career aspirations of the individual. Education is a more formal component of learning and development as it allows members of organizations to acquire degrees and certificates that allow them to advance in the organization.

Total rewards

The function of HR as it relates to total rewards is to design compensation packages that provide comprehensive security and benefits to employees. Salary and wages are the most reviewed and scrutinized by employees and organizations alike. HR departments regularly report their salaries to agencies that collect this information for the benefit of the industry. HR departments then use the collective information provided by the agency to garner an understanding of competitive wages and salaries. In addition to salary and wages, organizations pay a long list of benefits in most cases. Bonuses are designed to align the interests of the organization with those of the individual. Its important to note that some bonuses are paid out as a calculated sum of the employee's efforts, such as sales volume * commission %. Other bonuses are considered "black box" bonuses whereby there is not an agreed upon commission rate, but rather the managers decide based on a balanced scorecard and intuition. Many companies are going towards this model because they can incentivize cultural elements as well as performance factors. For example, a salesman who reaches outstanding volume but is hated by everyone in the office serves as a detriment to culture. One final note on bonuses is that organizations have to be careful not to implement "perverse incentives." These are bonus structures that on their face incentivize a desirable behavior but in reality, employees are motivated in their self interest and "game" the system. An example of this is a sales role where an employee wants to maximize volume, but could sacrifice price and overall profitability as a result. Other benefits offered by organizations include 401k contributions, pension plans, health care, long-term and short-term disability, life insurance, vacation days, bereavement pay, tuition reimbursement, service recognition programs, anniversary gifts (5, 10 20 years etc. with the organization), dental insurance, vision insurance, childcare benefits, gym or golf course memberships, use of company assets, relocation assistance, and workplace perks such as recreational activities, free snacks, coffee and flexible work schedules. Not all companies offer every benefit, but a general rule of thumb is that benefits paid to an employee equate to about 30% of the annual salary.



HR structuring

Like any department or unit within an organization, the HR function must spend time organizing its own resources and managing the efficiency of its own performance. For this reason, one of the HR functions is self-management. In practice this means that HR must decide which types of HR specialists they should employ and which HR generalists fit the organizational needs. HR specialists navigate a specific role within HR. For example, some specialists focus on training and development, others analyze compensation, some manage the benefits packages of employees, while others might negotiate with labor unions and ensure compliance with government labor regulations. HR structuring also entails deciding which elements of HR can (or should) be

handled internally, and which functions can be outsourced. Essentially, this function of HR translates into dedicated time to ensure HR is working properly and managing itself as an entity which aligns with corporate strategy and values.

Organizational Effectiveness and Development

Organizational effectiveness and development is an intentional approach to intervening with the workforce to enhance performance. This may include team performance, individual employee development or overall operational excellence. This function of HR focuses on the policies, practices, culture, and structure of the organization in a way that enhances commitment and performance. An example of the organizational effectiveness and development role of HR is the decision to allow sales team members to work from home and reside in their sales territory while simultaneously allowing them more autonomy around their work – making personal work hour decisions, expanding sales authorities, and travel expenses. HR would be critical in this situation to analyzing and understanding what such a decision would do to the output of these field employees. Organizational effectiveness also is an opportunity to review the decision rights, authorities, and reporting mechanisms of employees in a way that motivates employees to do well.

Story from the HR World: A flat tire in bear country

The adventure guides at a world-renowned lodge in Alaska always got excited for the first two weeks of the summer. This was the training period for new guides, and involved a lot of excursions and studying. Pia was excited for her first season of taking clients hiking, biking, camping, and rafting. Each day the lead guide, Drew would drill the guides on Alaska trivia, stories, statistics, and safety measures taken with each type of tour they offered. More importantly, each day they hiked a new trail, and were tested on flora, fauna, and geological historical markers. The guides had to be prepared for any question clients had, and were charged with foremost, the safety of every client. The guides were required to read novels, poetry, and memorize scientific names for the most common species found in Alaska. Despite the plethora of knowledge and safety training, Drew always overlooked an important element of training – teamwork. Pia became well versed in the technical elements of her job, but she didn't feel like her fellow guides took her in as a friend or would support her in her new role. On the last training hike before clients would show up, the guides returned to the van at the trailhead. The problem of a simple flat tire was compounded by a lack of adequate tools in the van, and the terrain and slope upon which the van was parked. More pressing, was the reality that 100 yards from the trailhead, they had a wonderful (and safe) encounter with a brown bear. The bear was still in the area and could be heard still slowly lumbering through the alder trees. The group of four guides improvised a lever to aid the jack, and worked together to safely remove the flat tire. At one point Pia began to lean under the van to re-secure the jack and Drew quickly pulled her back for her own safety. In the course of a ten-minute window they had cooperatively swapped out the flat for the spare and were safely in the vehicle. Afterwards, Pia's attitude towards her co-guides changed dramatically. The adrenaline from the epic experience had somehow bonded the group. The rest of the summer, they worked as a team. Drew decided that replicating a flat tire in bear country was not a good idea, but the idea of a team building exercise early in the training was adopted as standard practice in future seasons.

Workforce Management

Workforce management is the logistical components of HR that allows them to forecast and plan for staffing needs. This entails projecting labor needs, creating budgets, and scheduling hourly earners for shifts or locations. This function also serves as the interactive arm of HR as it conducts payroll, time and attendance, performance management systems, compliance, administration of benefits, and vacation and sick day tracking. By housing the administrative function of the organization in one location, organizations can realize economies of scale, lower operational costs, and an increased learning curve by the HR function as it specializes in these tasks.



Employee Relations

The basic premise behind employee relations as a function of HR is to serve as the intermediary between the organization and the employees of the organization. The goal is to maintain a positive relationship between the workforce and management. This is achieved in several ways. First, the HR department focuses on policies that promote fairness in the work place. This includes compensation practices and precedent from disciplinary action. Second, HR serves in an advisory role to managers as questions arise about benefits, work-life balance, and scheduling. Within employee relations, the HR department handles disputes between labor and management. For example, this may include disputes that arise out of poor performance, workplace behavior, or sexual harassment.

Technology and Data

The HR department now has access to a wide variety of technologies, data, and digital tools to help them enhance employee performance. This includes how employees communicate with each other, store files or records, monitor performance, and equip employees in their specific roles. For example, HR uses candidate tracking systems to manage the larger number of applicants for open positions. This allows them to categorize, quickly review, and process candidates as they go through the hiring process. Training and development can focus on the digital resources such as video and audio that engage the employee in ways they are used to learning. Performance tracking metrics in call centers for example show employees how efficient they are with their calls, and how effective they are at resolving issues. These sorts of technologies can tell the organization which tasks employees are performing well and where the gaps are. By understanding performance through enhanced tracking, HR departments can allocate resources to address these issues.

Global Contextualization

Whether an organization is international or not, the HR department will need to address the increasing influence of globalization on its organization. Domestic organizations can source labor using immigrant labor with work authorization in the domestic company. International organizations will need to understand the labor laws of foreign countries to ensure compliance. HR serves as an even more critical role for employees who serve as international expatriates (living and working abroad, but employed by the home country). The HR department will create a transition plan for moving abroad, and arrange needed services such as housing, schooling, transportation, personal security. In most cases, the HR department will provide cultural training or language training for the employee and family and do the taxes for the employee in situations where being an expatriate complicates the tax situation of the employee.

Diversity Management

HR departments promote diversity (different types of people) and inclusion (everyone having a voice). This is the result of intentional recruiting efforts and promoting of cultural and personal values of employees. Most diversity management programs focus on categorical differences in employees such as race, ethnicity, gender, and sexual orientation. However, more effective HR managers also focus on diversity of thought. They look for people from different backgrounds within these categories because unique backgrounds means unique thinking. Research suggests that focusing on the simple categories of race, ethnicity, gender and sexual orientation has a marginal benefit to the performance of the organization. Diversity of thought yields much more substantial payback. Having employees from small towns and big cities, Midwest and Northeast, large state schools and small private

institution, born and raised in the local area and outside the state, industry experience in the organization's industry and competing or complimentary industries, introverts and extroverts, diverse personal interests and collective ideals, and the list goes on. Ultimately the role of the HR department is to manage the performance of employees, and encouraging diversity is a means to do that.

Risk Management

HR plays a unique role in identifying risks and formulating strategies to mitigate them. They focus not on the risks of the business per se (like market volatility and systematic risks), but rather they focus on the risks that could impede the safety or performance of employees. This could entail risks around poor management practices, employee behaviors which are inappropriate, or risks around hiring and losing employees. Within the realm of compliance, HR needs to stay current with legal news which they typically do through industry agencies such as SHRM or conferences they attend. Within the talent acquisition realm, HR can minimize risks by building a sustainable recruiting program, and revamping the onboarding process. Mitigation measures for organizational leadership means holding managers accountable where appropriate and training managers as they begin to supervise employees. In the operational realm, HR managers can implement emergency drills for fire, tornado, hurricanes, earthquake, and active shooter.

Story from the HR World: Tropical Storm Escape!

A financial services company decided to establish an expatriate office in the Cayman Islands as a means to enjoy the island's tax haven status for their overseas operations. They were subject to a 25% tax rate for US operations, and a 6% tax rate for a Cayman's office. Jamal was selected as the team lead and would first go to the Caymans to establish the office and set up operations. HR trained Jamal on international tax law, international finance practice, and even provided him and his family with cultural training. HR manager Kerry had a lot of experience in prepping expatriates and felt like Jamal would be successful. After four months on the job, Jamal calls Kerry at home late on a Saturday evening. "Kerry, I know you've seen this tropical storm heading straight towards us. Locals are telling me it will be upgraded to hurricane grade, and is moving faster than we thought. I need to get out of here, now." Kerry went into action and contacted all of the airlines, but no flights had seats, or they were already cancelled. Knowing that HR in a global context comes with risk, and the company has a responsibility to own and mitigate risks as much as possible for employees, Kerry promptly scrambled one of the company Learjets to fly from the corporate office in Las Cruces, NM to the Cayman Islands. Jamal and his family escaped with 6 hours to spare and were able to help two other expatriate families flee with them.

Corporate Social Responsibility (CSR)

Organizations that are committed to corporate social responsibility consider the impact of their decisions on all stakeholders – customers, shareholders, communities, management, the environment, shareholders, and yes, employees. CSR is a commitment to both profitability, but also being a good global citizen. HR plays a key role in engaging the CSR efforts of employees. They achieve this by involving employees in decision making processes, pushing for CSR to be a part of the brand of the company, coordinating manager training with elements of CSR initiatives, and most of all promoting an authentic culture of CSR.

U.S. Employment Law and Regulations

We reviewed in chapters 2 the evolution of HR laws in the United States. HR has an integral role in making sure that labor laws and regulations are complied with. This begins with recruiting and hiring, to the employees entire tenure with the organization, and the termination of employees either voluntary or involuntary. HR has to understand not only the current regulations, but also the regulations which are on the horizon so that they can design compliance programs if needed. Perhaps no other department in the organization deals with government agencies as much as HR. They regularly interact with departments of health, the Equal Employment Opportunity Commission (EEOC), Federal Labor Relations Authority (FLRA), Occupational Safety and Health Administration (OSHA), National Labor Relations Board (NLRB), Social Security Administration (SSA), state labor offices, U.S. Department of Labor, Environmental Protection Agency (EPA), and in most cases local city and county offices that impact employment or operations of the business.

HR Strategy

HR strategy has received the most attention in recent years. For many decades, HR was seen as an administrative function of the organization – making sure people got paid, and trained, and on-boarded, and provided benefits. However, many of these administrative tasks are either automated or outsourced, which has freed up HR to focus on strategy. HR strategy entails creating an overall plan for how employees will be recruiting, built up, progressed, empowered, and motivated to perform. It's an intentional view of how the employees will be managed. However, the most critical component in HR strategy is aligning it with the overall strategy of the organization. HR must understand how the business makes money and which cultural values are espoused so that HR practices can complement business execution. This means that HR managers are thinking about how they create value and how they can innovate their departments and organizational practice to create a competitive advantage for the organization. Some HR departments have taken this mentality to an extreme by treating HR as a profit center. They bill out hours used by managers, and attribute programs they roll out with the same scrutiny and understanding of its impact on the bottom line like any other profit center would have to do.

CRITICAL THINKING QUESTIONS

1. Make your case for which function of HR is the most impactful to the profitability of the organization? Make sure to tie your answer to profitability.
2. How are the HR functions inter-related? Be specific.

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1.6: Human Resource Development

Learning Objectives

- Explain the difference between Human Resource Management and HR Development
- Describe the evolution of HR to HRD

Previous chapters have reviewed the evolution of HR as well as the contextualization of modern practices. The culmination of the HR practice in the modern environment is the developmental organization. This term implies more than simply putting together the 15 functional areas. Human resource development is a cultural commitment to the improvement of both the individual and the organization. This is the apex of human resource management. In this chapter, we will explore what this looks like in practice.

A transition from HR Management to HR Development

Organizations, whether it be for-profit businesses, non-profits, or academic institutions are made up of people which mean every organization requires some human resource management. Human Resources (HR) is the function in charge of an organization's employees. Typical HR responsibilities include areas such as recruiting and staffing, compensation and benefits, training and development, labor and employee relations, and organization development ("What is HR Management?" n.d., para.1). The purpose of this paper is to review what is known about HR, how HR evolved into human resource development, and why leaders of organizations are keenly concerned about this topic.

The Evolution of Human Relations Management

To trace the evolution of HR and HR management, one must begin by reflecting on the history of the American worker. Licht (1988) identified a number of factors important to the understanding of labor and the rise of the modern HR movement. 1) The tremendous labor unrest that abounded in the late 19th and early 20th centuries led by unsafe working conditions, long hours, and low wages, was fueled by worker resentment to increased immigration, urbanization, and developing mechanization. Labor and management had to learn to work together to quell this unrest in order to pursue economic conditions that benefited both business and the worker. 2) The demographic profile of the American worker was also changing. In 1913, less than one-fourth of all adult women worked outside the home. Eighty-five years ago, women made up less than 20 percent of the workforce; today, women represent 50 percent. Immigration and the role of African-Americans also changed. Immigration, legal and illegal from Latin America and Asia has seen a dramatic rise in the proportion of foreign-born workers. In 1913, 90 percent of African-Americans resided in the South and worked as laborers and domestics. The dramatic shift of African-Americans to the north and west due to increased industrialization after World War II and the Civil Rights movement changed the face of the American workforce. 3) The need for increased safety and health brought significant change to the American worker. In 1970, Congress passed the Occupational Safety and Health Act, providing the Department of Labor a mandate to set guidelines to protect workers from work-related accidents. In 1971, the Occupational Safety and Health Administration (OSHA) was created to enforce those guidelines. 4) In addition to the need to enforce new standards mandated by the Department of Labor, OSHA also increased the need for greater human relations management. Corporate managers were now forced to consider alternatives to the stick approach of the 19th century and begin to find ways to provide employment interest and value beyond that of a paycheck. The need to create staff hierarchies, develop career paths, and offer new benefits such as family insurance programs began to emerge from the conflicts of the early 20th century, as well as the substantial shifts in the American workforce (Licht, 1988).



Thite, Kavanagh, and Johnson (2008) built on the work of Licht (1988) writing that there are five historical phases of HR management throughout the development of industry in the United States. 1) Before World War I, HR was more commonly known as the personnel department and dealt for the most part with clerical functions. The “Personnel Department” kept records of the employees’ information. The predominant management thought of the period was to maximize employee productivity. The quest for efficiency led to the search for science in management. Giants in this emerging field began to emerge. Frederick Taylor developed the concept that much of the conflict between management and labor was due to ignorance on both sides. Management looked for, and labor was ready to deliver a “fairs day work for a fairs day pay,” but neither side knew what constituted a day’s work (Wren and Bedeian, 2009). Taylor’s contribution to the science of management was his development of the time study, building on earlier work by Charles Babbage. Taylor’s work focused on what was possible during a production sequence as well as what were the best methods of achieving the desired results. The net effect was that management, and labor, now had a baseline to determine a “fairs day work for a fairs day pay” (Wren and Bedeian, 2009). Taylor’s work evolved to what became the standard measure for production and compensation, the piece-rate pay system. From an HR standpoint, the “personnel department” did little more than maintain records on health and safety as well as hours worked and payroll. Computers were non-existent with labor records kept on paper.

2) Following World War II, managers began to realize the significance of employee productivity and motivation on the firm’s profits. Job-satisfaction, recognition and other social and psychological factors started to emerge as employee motivational factors. McGregor’s X and Y theory of motivation served as a bridge from past concepts of human relations to a more modern view of the worker and motivation (Wren & Bedeian, 2009). Maslow’s hierarchy of needs concept contributed to the emergence of human relations as a discipline (Crainer, 2003). Herzberg’s two-factor theory of motivation added to how management began to think about, and design jobs (Robbins & Coulter, 2009).

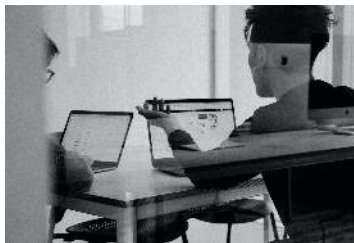
A significant consequence of the wartime call-up in the military and industry that had been converted to support the war effort was the need for the classification of large numbers of individuals. The central component of this classification system was what is known today as the job description which listed the duties, tasks, and responsibilities of the person who held a specific job (Thite, Kavanagh, & Johnson, 2008). The net result of developing a job description for each particular task was it now became easier to evaluate individual performance, develop appropriate compensation programs, and provide the basis for termination when necessary. Employment laws as noted by Licht (1988) allowed the establishment of labor unions to bargain for better wages and working conditions. These developments began pushing the personnel departments to improve record keeping. The need to respond to requirements and demands of various governmental agencies and post-war demands from the military drove the need to adapt new technologies, requiring new skills within organizations personnel departments. Responding to increased legislation, employee unionization, and the need for increased focus on employee relations was the predominate themes of post-World War II personnel departments (Thite, Kavanagh, & Johnson, 2008).



3) According to Thite, Kavanagh, and Johnson (2008), the decades of the 1960's, 1970's and early 1980's were a time of increased labor legislation in the United States that governed in many areas of employee – management relations. Organizations personnel departments were required to gather, analyze, and report on massive volumes of data to authorities ranging from discriminatory practices, the effective promotion of and utilization of occupational health and safety programs, retirement benefits and tax regulation. In order to prevent punitive damages for noncompliance, personnel departments had to ensure that the data was accurate, comprehensive, and up-to-date, adding to the responsibilities of personnel departments. Additionally, Thite, Kavanagh, and Johnson (2008) state that due to the booming post-war economy, unions successfully championed better employment terms, including wages, retirement and health care benefits. The resulting increased labor costs began pressuring personnel managers to start directing their focus away from employee maintenance to that of developing employees to justify the increased costs and drive for better productivity. The scope of the personnel department was changing, and human resource management began to emerge as a factor for strategic thinking departments (Thite, Kavanagh, & Johnson, 2008).

4) The period of the mid-1980's through the early 1990's according to Thite, Kavanagh, and Johnson (2008) witnessed a number of significant issues affecting the human management functions. The United States began to experience heightened competition from foreign companies. Many U.S. firms began focusing on cost reduction through automation while their HR personnel continued to deal with ever increasing legislative reporting requirements. The combination of corporate-wide cost reductions, increasing administrating duties, and rising employee costs created the need for human relations management to justify the costs of their operations and functions. The thought that human relations managers had seldom had to deal with before began to emerge; the capability to look at the total business, and think strategically. 5) Globalization, new competition from emerging markets, technological breakthroughs including the advent of the world-wide-web created the need to consider the makeup of the organization. The need to define a firm's real competitive advantage began to emerge, with many organizations realizing that their people made the difference (Thite, Kavanagh, & Johnson, 2008). As a result, the people management of the organization continued to evolve with increased emphasis on attracting, hiring, developing, and retaining the right talent.

Salvatore, Weitzman, and Halem (2005) point out that changes in the United States law were factors in the dramatic need for change in the HR profession. Major legislation acts that included the 1993 Equal Pay Act, the 1964 Civil Rights Act prohibiting discrimination on the basis of race, color, sex, national origin, or religion, and the 1967 Age Discrimination in Employment Act drove the need for the HR function of organizations to begin to step up in their importance. More recent legal enactments such as the Americans with Disabilities Act of 1990, and the 1993 Family and Medical Leave Act now required HR professionals to begin learning how they could keep corporate managers out of legal areas with which management had little experience (Salvatore, Weitzman, & Halem, 2005).



The past decade witnessed dramatic cost increases in areas that traditionally resided within earlier personnel departments, and now, modern day human relations departments. The cost of health care coverage, once the staple of modern day employment began to emerge as a significant expense line item to many organizations. Companies were also now faced with increased competition from every corner of the world and began searching for ways to lower ever-rising costs. The result according to Rubis, Mirza, Fox, Shea, and Moss (2005) was a health care cost-shift from the employer to the employee. Additionally, employees now faced a dizzying area of health care choices ranging from health maintenance organizations, tax-advantaged flex spending accounts, association-based health care coverage options, and health reimbursement accounts, which requires education and training (Rubis et al., 2005). Another employee benefit, retirement planning, began to change and change dramatically. A number of corporate defaults of underfunded defined retirement pension plans led to a massive decline of these fixed monthly payment plans. The responsibility for saving and investing for retirement began to shift from the employer to the employees, through 401 (k) plans. The percent of workers participating in defined benefit's retirement plans fell from 28 percent in 1979 to 3 percent in 2011 while the percent of employees participating in defined contribution plans increased from 7 percent in 1979 to 31 percent in 2011 (Retirement Issues,

n.d.). These systems, typically managed by the finance department and designated investment professionals now required human relations department involvement through training, education, and record keeping. In many firms, negotiating retirement plans and the processes now resides within the human resources department (Rubis et al., 2005). These dramatic shifts in the role and requirements of the human relations department required a new look at an old function.

Fallon and McConnell (2014) state that due to the dramatic change in the field of labor, increased legislation, increasingly complex responsibilities, and the different types of work that had to be done, the personnel department evolved into what is today, the human resource department around the late 1970's and the decade of the 1980's. Many of the practitioners of traditional personnel functions had become overwhelmed by the tsunami of change, could no longer cope with the increased demands, became obsolete and were replaced by new professionals from the field of industrial psychology and graduates of modern business management programs (Fallon and McConnell, 2014). The title of Human Resource more accurately reflected the workload, improved the image and elevated the status of the work being performed while pointing to the degree of professionalism of the new practitioners who are now doing this type of work.

May (n.d.) states that the shift from "personnel" to "human resources" was accompanied by the need for HR to become more of a strategic partner with the other leaders of the business. HR is now being called to advise on important transitions, develop and demonstrate the value of the employee, and contribute to significant business decisions. In other words, while state-of-the-art human resource practices continue to be centered around five functional practices: 1) human resource planning, recruiting, and selection, 2) learning and change, 3) career development strategies, 4) performance management, and 5) compensation and rewards (Gilley and Maycunich, 1999), HR teams are now being challenged to deliver much more. HR is now being tasked in some organizations to play a role inside business units offering a variety of HR services directly to that particular work area. In these situations, the HR employee may report directly to the manager of that business unit rather than to the HR manager. This approach provides the HR representative the ability to take information from the primary HR group directly to the business unit, tailor and modify the service based on that business unit needs in conjunction with the business unit manager. In some organizations, HR is now being challenged to deliver a consulting model whereby their view is that of a client and take their client satisfaction as their measure of success. HR in some cases is now being held accountable for increasing line managers capabilities. This approach creates a tie between HR and line management, fostering closer involvement in the development of the employee (May, n.d.). These new roles for HR raise several issues with which the organization leaders must grapple. To deliver on these new and challenging HR roles requires strong HR leadership, one where the HR manager must sit at the executive level table and demonstrate the ability to provide value. In addition to strong HR leadership, making the shift to a new HR model, one for the 21st century, will require far more future orientation than in the past. What are the organization's future HR needs? What are possible future trends that need to be taken into consideration? As rapidly as the world is changing, how can the business be responsive to the ever-changing needs of its clients? Globalization has created the need for business to respond rapidly to changing market conditions, adapt to new locations with employees from different cultures with different requirements and customs.

When viewing the evolution of human resource development, it is interesting to note that Peter Drucker, characterized as the guru of management practice (Wren and Bedeian, 2009) wrote that management is about human beings and that every successful enterprise is a learning and teaching institution (Drucker, 1973). Drucker (1973) wrote those words more than forty years ago and was delineating what Gilley and Maycunich (1999) describe as a learning organization which is characterized by a culture dedicated to improving workers, their productivity, and overall business performance by continuous lifelong learning. The evolution of human resource management is tied directly to playing a lead role in moving beyond just learning and teaching.

The Future of Human Resource Development and Why It is Important

Gilley and Maycunich (1999) write that three identifiable organization types exist along the plane of organizational evolution: 1) the traditional organization, 2) the learning organization, and 3) the developmental organization. The authors contend that organizations must move beyond the model of a learning organization to that of a developmental organization; one that promotes and rewards long-term individual and organizational growth (Gilley & Maycunich, 1999). The issue the author's state is that evidence points to the fact that more than 80 percent of all organizations remain mired in the traditional mode. These organizations may deliver results that keep them afloat but fail to achieve consistent long-term growth while falling prey to lost market share, fail to respond to rapidly changing market conditions, lose profitability and are driven to attempt quick, short-term fixes rather than adhere to long-term strategic plans. From a human resource standpoint, traditional organizations tend to rely on training as a means to improve their workers skills, failing to connect employee growth and development with organizational renewal and competitive

readiness (Gilley & Maycunich, 1999). While the 80 percent estimate of organizations stuck in the traditional model is likely not quantifiable, should that number be even remotely accurate, the future state of human resource management must first begin to move beyond that of the traditional mode to that of a learning organization before they can become a developmental organization. This table compares several factors that identify whether an organization could be classified traditional, learning or developmental.

Table 1.

Comparing Traditional, Learning, and Developmental Organizations.

Characteristics	Traditional Organization	Learning Organization	Developmental Organization
Orientation	Training	Learning	Development
Capacity for Organizational Renewal	Low	Moderate	High
Importance of HR	Not critical	Critical	Essential
Assumption of Growth & Development	Training will enhance the organization	Building capability to create through learning	Continuous development is the key
Expectation of growth and development	Improved SKA's	Continuous learning	Organizational renewal & competitive readiness
Types of developmental activities	Accidental, conversational, incidental learning	Deutero-learning & action learning	Developmental learning
Focus on developmental activities	Knowledge acquisition	Application and reflection	Changes and continuous growth and development
Outcomes of developmental activities	Comprehension	Mastery and self-awareness	New meaning, renewal, and performance capacity
Organization priorities	Market share, profits, productivity, margin	Learning is key to improving business results	Achieving business goals & objectives through employee growth and development
Type of leadership	Autocratic	Transaction, transformational	Developmental
Structure & work climate	Departmental, formal, hierarchical, little employee participation	Team/project oriented, encourage & reward individual & group learning	Organizational system approach
Leader role	Status quo	Synergist	Holistic Thinker & development champion
Manager role	Status quo	Learning partner	Performance coach
Employee role	Status quo	Self-directed learner	Developmental enhancer
HR professional role	Status quo	Employee champion	Performance consultant and OD change agent
Actions required to move the organization forward	None	Focus on learning	Focus on development

Note: Adapted from *Beyond the Learning Organization*, p. 8-9, by Gilley and Maycunich. Cambridge: Perseus Books

Table 1. *Comparing Traditional, Learning, and Developmental Organizations* provides a window as to why human resource development is vital to organizations and why today's leaders have begun to place increasing greater importance on the topic.

Traditional organizations have a low capacity for organizational renewal and rely on accidental, conversational, incidental and anticipatory learning as opposed to action learning or deuterio-learning (Gilley & Maycunich, 1999). Action learning (Marquardt, 2014) is the dynamic process that focuses on a small group of people not just solving problems, but also focusing on what they are learning, and how their learning can benefit each group member, the group itself, and the organization as a whole. Action learning is a clear departure from traditional learning and an important step toward becoming something beyond that of a traditional organization.



For organizations to move beyond the traditional mode, Senge (1999) states that the fundamental difference between traditional authoritarian organizations and learning organizations is the mastery of certain basic disciplines. Those disciplines are 1) personal mastery – continuous learning by each individual, 2) mental models – the development of awareness of acquired patterns of thinking within organizations, 3) building shared values – creating visions of the future, 4) team learning – learning together so that the members of the team are more productive than they would be as individuals, and 5) systems thinking – the ability to see organizations, their problems, and opportunities as a whole (Economist, 2014). One could argue that while many organizations have mastered to some degree the disciplines of individual learning, awareness of patterns within the organization, the need to build a vision of the future, and the importance and role of team learning, few have mastered the discipline of systems thinking. The Gilley and Maycunich (1999) claim that 80 percent of today's organizations remain stranded in the traditional mode regarding organizational renewal supports this concept. Systems thinking is defined as a method of critical thinking where managers can see repetitive patterns, the way certain problems appear over and over, and how systems have inherent built-in limits to growth. Systems thinking recognizes that that things are interconnected and that organizations are complex systems. Systems thinking enables you to analyze the relationships between the system's parts to better understand the situation and to facilitate better decision-making (Crainer, 2003). For example, when a firm reduces their marketing expenditure to meet the company's expense budget, did they take into consideration the connection to an appropriate degree of decline in revenue? When a company pulls a number of people off projects already underway to suddenly form a new team for a crash-course need, was there due consideration of the impact on existing projects with a potentially higher return on investment? Or consider the effects of the delay on existing projects due to reduced resources?

These type of actions that likely take place countless times a day around the globe lay at the heart of the importance of systems thinking. Senge (1999) wrote that systems thinking is the discipline that connects the other four disciplines and keeps them from being the latest in organizational fads. To become a learning organization requires a shift of mind. People, and departments within an organization, can no longer view themselves as separate with problems being created by others. Systems thinking is the ability to visualize how our actions, and those of our departments, are often the reason for our problems. Seeing how everyone's actions are interwoven, the system, is the essence of a learning organization (Senge, 1999).

Simpson (n.d.) writes that the major human resource issue most organizations must deal with today is the failure to understand the complex interrelationships between the different elements of HR management and the other components of the business unit. The result inadvertently creates organizational tensions that constrict the organization from realizing its true potential. Gilley and Maycunich (2009) write that systems thinking require leaders, managers, and employees to consider, from a strategic standpoint, every aspect of organizational life. Silos can no longer be allowed to exist. Assuring that the corporate system and all its connections are integrated and no longer dysfunctional is the role HR leaders can, and should play. Only through systems thinking can human resource management step up and lead modern human resource programs that ensure all aspects of the organization work cooperatively for the betterment of all.

Story from the HR World – Hiring the right people

In the fallout of the Enron scandal in 2001, many working professionals in the energy markets were looking for new jobs. Most of them were not involved in the scandal, but rather were victims to the circumstances of poor ethical leadership. Marlon ran the HR department of an energy company headquartered in Kansas City. Seeing an opportunity, the door was open to hire many of these former Enron employees. After two years, the seven Enron employees that he hired to the company were gone. A serious gap in culture was to blame as the Enron employees simply did not adhere to the protocols or connect to the incentive structure of the organization. The culture of the organization was such that any sales or deals were paid out in bonus AFTER the deal was done and money was collected from the customer. The bonus payout was focused on a year in review scorecard. However, the Enron employees were a bad fit for two reasons. One, most of them had degrees from Ivy league, east coast schools and had an arrogant approach to coworker who graduated from moderate Midwest schools. What made the culture work at Marlon's company was that most of the original sales team in fact graduated from midwestern schools and grew up in small towns and farms where the work ethic far exceeded many of their east coast peers. Humility and respect were highly valued in the company because the surrounding states valued these virtues (Nebraska, Iowa, Kansas). Second, the incentive structure these salesmen were used to at Enron paid them on the future projected cash flows of the deals. This led to a conflict within the organization because Enron salesmen were expecting payout and did not see deals through to collection as a result. Marlon as the HR manager failed to connect the HR practices of talent acquisition with the overall strategy of the business.

CRITICAL THINKING QUESTIONS

1. Explain the difference between traditional HR and HR Development.
2. How can organizations benefit by embracing HRD?

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1.7: The Role of Human Resources

Learning Objectives

1. Explain the role of HRM in organizations.
2. Define and discuss some of the major HRM activities.

Every organization, large or small, uses a variety of capital to make the business work. Capital includes cash, valuables, or goods used to generate income for a business. For example, a retail store uses registers and inventory, while a consulting firm may have proprietary software or buildings. No matter the industry, all companies have one thing in common: they must have people to make their capital work for them. This will be our focus throughout the text: generation of revenue through the use of people's skills and abilities.

What Is HRM?

Human resource management (HRM) is the process of employing people, training them, compensating them, developing policies relating to them, and developing strategies to retain them. As a field, HRM has undergone many changes over the last twenty years, giving it an even more important role in today's organizations. In the past, HRM meant processing payroll, sending birthday gifts to employees, arranging company outings, and making sure forms were filled out correctly—in other words, more of an administrative role rather than a strategic role crucial to the success of the organization.

CEOs believe that the time is now for HRM. “Now is the time for HRM for critical shifts to bring the organization to success through, Being Embedded Throughout the Organization, Focus on Performance, Leveraging Tech, Creating Fulfilling Work, and Sustained Culture” [\[1\]](#).

It's necessary to point out here that every manager has some role relating to human resource management. Just because we do not have the title of HR manager doesn't mean we won't perform all or at least some of the HRM tasks. For example, most managers deal with compensation, motivation, and retention of employees, making these aspects not only part of HRM but also part of management. As a result, this book is equally important to someone who wants to be an HR manager and to someone who will manage a business.

Human Resource Recall

Have you ever had to work with a human resource department at your job? What was the interaction like? What was the department's role in that specific organization?

The Role of HRM

Keep in mind that many functions of HRM are also tasks other department managers perform, which is what makes this information important, despite the career path taken. Most experts agree on seven main roles that HRM plays in organizations. These are described in the following sections.

Staffing

You need people to perform tasks and get work done in the organization. Even with the most sophisticated machines, humans are still needed. Because of this, one of the major tasks in HRM is staffing. Staffing involves the entire hiring process from posting a job to negotiating a salary package. Within the staffing function, there are four main steps:

1. **Development of a staffing plan.** This plan allows HRM to see how many people they should hire based on revenue expectations.
2. **Development of policies to encourage multiculturalism at work.** Multiculturalism in the workplace is becoming more and more important, as we have many more people from a variety of backgrounds in the workforce.
3. **Recruitment.** This involves finding people to fill the open positions.
4. **Selection.** In this stage, people will be interviewed and selected, and a proper compensation package will be negotiated. This step is followed by training, retention, and motivation.

Development of Workplace Policies

Every organization has policies to ensure fairness and continuity within the organization. One of the jobs of HRM is to develop the verbiage surrounding these policies. In the development of policies, HRM, management, and executives are involved in the process. For example, the HRM professional will likely recognize the need for a policy or a change of policy, seek opinions on the policy, write the policy, and then communicate that policy to employees. It is key to note here that HR departments do not and cannot work alone. Everything they do needs to involve all other departments in the organization. Some examples of workplace policies might be the following:

- Discipline process policy
- Vacation time policy
- Dress code
- Ethics policy
- Internet usage policy

Compensation and Benefits Administration

HRM professionals need to determine that compensation is fair, meets industry standards, and is high enough to entice people to work for the organization. Compensation includes anything the employee receives for his or her work. In addition, HRM professionals need to make sure the pay is comparable to what other people performing similar jobs are being paid. This involves setting up pay systems that take into consideration the number of years with the organization, years of experience, education, and similar aspects. Examples of employee compensation include the following:

- Pay
- Health benefits
- 401(k) (retirement plans)
- Stock purchase plans
- Vacation time
- Sick leave
- Bonuses
- Tuition reimbursement

Retention involves keeping and motivating employees to stay with the organization. Compensation is a major factor in employee retention, but there are other factors as well. Ninety percent of employees leave a company for the following reasons:

1. Issues around the job they are performing
2. Challenges with their manager
3. Poor fit with organizational culture
4. Poor workplace environment

Despite this, 90 percent of managers think employees leave as a result of pay (Rivenbark, 2010). As a result, managers often try to change their compensation packages to keep people from leaving, when compensation isn't the reason they are leaving at all.

Training and Development

Once we have spent the time to hire new employees, we want to make sure they not only are trained to do the job but also continue to grow and develop new skills in their job. This results in higher productivity for the organization. Training is also a key component in employee motivation. Employees who feel they are developing their skills tend to be happier in their jobs, which results in increased employee retention. Examples of training programs might include the following:

- Job skills training, such as how to run a particular computer program
- Training on communication
- Team-building activities
- Policy and legal training, such as sexual harassment training and ethics training

Dealing with Laws Affecting Employment

Human resource people must be aware of all the laws that affect the workplace. An HRM professional might work with some of these laws:

The legal environment of HRM is always changing, so HRM must always be aware of changes taking place and then communicate those changes to the entire management organization. Rather than presenting a chapter focused on HRM laws, we will address these laws in each relevant chapter.

- Discrimination laws
- Health-care requirements
- Compensation requirements such as the minimum wage
- Worker safety laws
- Labor laws

Worker Protection

Safety is a major consideration in all organizations. Oftentimes new laws are created with the goal of setting federal or state standards to ensure worker safety. Unions and union contracts can also impact the requirements for worker safety in a workplace. It is up to the human resource manager to be aware of worker protection requirements and ensure the workplace is meeting both federal and union standards. Worker protection issues might include the following:

- Chemical hazards
- Heating and ventilation requirements
- Use of “no fragrance” zones
- Protection of private employee information



Figure 1.7.1: Knowing the law regarding worker protection is generally the job of human resources. In some industries, it is extremely important; in fact, it can mean life or death. ReSurge International – Tom Davenport Operating On A Patient – CC BY-NC-ND 2.0

Communication

Besides these major roles, good communication skills and excellent management skills are key to successful human resource management as well as general management.

Awareness of External Factors

In addition to managing internal organizational factors, **human resource managers must continuously monitor external forces** that can influence the organization. External factors are conditions outside the organization's direct control, yet they can have a significant positive or negative impact on human resource policies, practices, and strategic decisions. Failing to recognize and respond to these forces can lead to legal risks, increased costs, and decreased employee satisfaction.

Common external factors affecting human resource management include:

- Globalization, outsourcing, and offshoring
- Changes in employment and labor laws
- Rising health-care and benefits costs
- Evolving employee expectations
- Workforce diversity and inclusion
- Shifting demographic trends
- Increasing educational and skill requirements
- Economic conditions, including layoffs and downsizing
- Advances in workplace technology, such as HR information systems
- Expanded use of digital and social communication platforms

One of the most significant external influences on HRM in recent years has been the shift toward flexible work arrangements, including flexible scheduling, remote work, and hybrid work models. Advances in technology and changing employee expectations have accelerated this trend, requiring HR professionals to develop policies that balance organizational productivity with employee flexibility and work-life balance. Effective HR policies must address performance management, communication, cybersecurity, and equity for employees working in different arrangements.

Another major external factor affecting HRM is health-care regulation and cost escalation. Legislation such as the Patient Protection and Affordable Care Act (ACA) continues to shape employer responsibilities related to health insurance coverage, particularly for organizations with fifty or more full-time equivalent employees. In addition to compliance requirements, rising health-care costs remain a major concern for employers, influencing decisions related to benefits design, cost-sharing, and recruitment strategies. As health benefits remain a key component of total compensation, HR managers must balance affordability with competitiveness in the labor market.

Globalization also presents ongoing challenges for HRM. Organizations increasingly operate across national borders, requiring HR professionals to address differences in labor laws, cultural norms, workforce expectations, and talent availability. Decisions related to offshoring, outsourcing, or global staffing must be carefully managed to ensure legal compliance, effective training, and ethical treatment of employees.

Understanding external factors allows HR professionals to anticipate change and make informed, strategic decisions. Staying current through professional publications, government reports, and industry research enables HR managers to adapt policies proactively rather than reactively. By aligning HR practices with changes in the external environment, organizations can remain competitive, compliant, and responsive to employee needs.

Figure 1.7.2: An understanding of key external factors is important to the successful HR professional. This allows him or her to be able to make strategic decisions based on changes in the external environment. To develop this understanding, reading various publications is necessary. (CC-BY-NC-SA This work)

One way managers can be aware of the outside forces is to attend conferences and read various articles on the web. For example, the website of the Society for Human Resource Management, [SHRM Online](#), not only has job postings in the field but discusses many contemporary human resource issues that may help the manager make better decisions when it comes to people management. In “Today’s HRM Challenges”, we go into more depth about some recent external issues that are affecting human resource management roles.



Figure 1.7.3: Most professionals agree that there are seven main tasks HRM professionals perform. All these need to be considered in relation to external and outside forces. (CC-BY-NC-SA This work)

Key Takeaways

- **Capital** includes all resources an organization uses to generate value, including financial assets, technology, and human capital. Among these, human resources—the people who work for the organization—remain its most critical and strategic asset.
- **Human resource management (HRM)** encompasses the processes of attracting, selecting, developing, compensating, and retaining employees, as well as creating policies and practices that support both organizational goals and employee well-being.

- HRM managers are responsible for several core functions, including **staffing, policy development, compensation and benefits, employee retention and engagement, training and development, compliance with employment laws, and worker health, safety, and protection**. Each of these responsibilities is addressed in dedicated chapters throughout this book.
- In addition to managing internal HR functions, HR professionals must **continuously monitor external forces**—such as economic conditions, technological change, evolving employee expectations, legal and regulatory developments, and demographic shifts—that can significantly affect the workforce. Trends such as flexible scheduling, remote work, and hybrid work arrangements illustrate the impact of these external factors.
- To respond effectively to changes in the external environment, HR managers must engage in **continuous learning and professional development**. Staying current through HR research, professional publications, conferences, government guidance, and industry networks enables HR professionals to make informed, strategic decisions and maintain organizational competitiveness and compliance.

? Exercise 1.7.1

1. State arguments for and against the following statement: There are other things more valuable in an organization besides the people who work there.
2. Of the tasks an HR manager does, which do you think is the most challenging? Why?

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CHAPTER OVERVIEW

2: Developing and Implementing Strategic HRM Plans

[2.1: Introduction](#)

[2.2: Strategic Planning](#)

[2.3: Writing the HRM Plan](#)

[2.4: Tips in HRM Planning](#)

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2.1: Introduction

The Value of Planning

James stumbled into his position as the human resource manager. He had been working for Techno, Inc. for three years, and when the company grew, James moved from a management position into a human resource management position. Techno, Inc. is a technology and software consulting company for the music industry.

James didn't have a good handle on how to effectively run a human resources (HR) department, so for much of the time he tried to figure it out as he went. When Techno started seeing rapid growth, he hired thirty people within a one-month period to meet the demand. Proud of his ability to accomplish his task of meeting the business's current needs, James was rather pleased with himself. He had spent numerous hours mulling over recruitment strategies, putting together excellent compensation plans, and then eventually sifting through résumés as a small part of the hiring process. Now the organization had the right number of people needed to carry out its projects.

Fast forward five months, however, and it turned out the rapid growth was only temporary. James met with the executives of the business who told him the contracts they had acquired were finished, and there wasn't enough new work coming in to make payroll next month if they didn't let some people go. James felt frustrated because he had gone through so much effort to hire people, and now they would be laid off. Never mind the costs of hiring and training his department had taken on to make this happen. As James sat with the executives to determine who should be laid off, he felt sad for the people who had given up other jobs just five months before, only to be laid off.

After the meeting, James reflected on this situation and realized that if he had spoken with the executives of the company sooner, they would have shared information on the duration of the contracts, and he likely would have hired people differently, perhaps on a contract basis rather than on a full-time basis. He also considered the fact that the organization could have hired an outsourcing company to recruit workers for him. As Jason mulled this over, he realized that he needed a strategic plan to make sure his department was meeting the needs of the organization. He vowed to work with the company executives to find out more about the company's strategic plan and then develop a human resource management (HRM) strategic plan to make sure Techno, Inc. has the right number of workers with the right skills, at the right time in the future.

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2.2: Strategic Planning

Learning Objectives

1. Explain the differences between HRM and personnel management.
2. Be able to define the steps in HRM strategic planning.

In the past, human resource management (HRM) was called the personnel department. In the past, the personnel department hired people and dealt with the hiring paperwork and processes. It is believed the first human resource department was created in 1901 by the National Cash Register Company (NCR). The company faced a major strike but eventually defeated the union after a lockout. After this difficult battle, the company president decided to improve worker relations by organizing a personnel department to handle grievances, discharges, safety concerns, and other employee issues. The department also kept track of new legislation surrounding laws impacting the organization. Many other companies were coming to the same realization that a department was necessary to create employee satisfaction, which resulted in more productivity. In 1913, Henry Ford saw employee turnover at 380 percent and tried to ease the turnover by increasing wages from \$2.50 to \$5.00, even though \$2.50 was fair during this time period (Losey, 2011). Of course, this approach didn't work for long, and these large companies began to understand they had to do more than hire and fire if they were going to meet customer demand.

More recently, however, the personnel department has divided into human resource management and human resource development, as these functions have evolved over the century. HRM is not only crucial to an organization's success, but it should be part of the overall company's strategic plan, because so many businesses today depend on people to earn profits. Strategic planning plays an important role in how productive the organization is.

Table 2.2.1: Examples of Differences between Personnel Management and HRM

Personnel Management Focus	HRM Focus
Administering of policies	Helping to achieve strategic goals through people
Stand-alone programs, such as training	HRM training programs that are integrated with company's mission and values
Personnel department responsible for managing people	Line managers share joint responsibility in all areas of people hiring and management
Creates a cost within an organization	Contributes to the profit objectives of the organization

Most people agree that the following duties normally fall under HRM. Each of these aspects has its own part within the overall strategic plan of the organization:

1. **Staffing.** Staffing includes the development of a strategic plan to determine how many people you might need to hire. Based on the strategic plan, HRM then performs the hiring process to recruit and select the right people for the right jobs.
2. **Basic workplace policies.** Development of policies to help reach the strategic plan's goals is the job of HRM. After the policies have been developed, communication of these policies on safety, security, scheduling, vacation times, and flextime schedules should be developed by the HR department. Of course, the HR managers work closely with supervisors in organizations to develop these policies. Workplace policies will be addressed throughout the book.
3. **Compensation and benefits.** In addition to paychecks, 401(k) plans, health benefits, and other perks are usually the responsibility of an HR manager.
4. **Retention.** Assessment of employees and strategizing on how to retain the best employees is a task that HR managers oversee, but other managers in the organization will also provide input.
5. **Training and development.** Helping new employees develop skills needed for their jobs and helping current employees grow their skills are also tasks for which the HRM department is responsible. Determination of training needs and development and implementation of training programs are important tasks in any organization. Succession planning includes handling the departure of managers and making current employees ready to take on managerial roles when a manager does leave.

6. **Regulatory issues and worker safety.** Keeping up to date on new regulations relating to employment, health care, and other issues is generally a responsibility that falls on the HRM department.

In smaller organizations, the manager or owner is likely performing the HRM functions (de Kok & Uhlaner, 2001). They hire people, train them, and determine how much they should be paid. Larger companies ultimately perform the same tasks, but because they have more employees, they can afford to employ specialists, or human resource managers, to handle these areas of the business. As a result, it is highly likely that you, as a manager or entrepreneur, will be performing HRM tasks, hence the value in understanding the strategic components of HRM.

HRM vs. Personnel Management

Human resource strategy is an elaborate and systematic plan of action developed by a human resource department. This definition tells us that an HR strategy includes detailed pathways to implement HRM strategic plans and HR plans. Think of the HRM strategic plan as the major objectives the organization wants to achieve, and the HR plan as the specific activities carried out to achieve the strategic plan. In other words, the strategic plan may include long-term goals, while the HR plan may include short-term objectives that are tied to the overall strategic plan. As mentioned at the beginning of this chapter, human resource departments in the past were called personnel departments. This term implies that the department provided “support” for the rest of the organization. Companies now understand that the human side of the business is the most important asset in any business (especially in this global economy), and therefore HR has much more importance than it did twenty years ago. While personnel management mostly involved activities surrounding the hiring process and legal compliance, human resources involves much more, including strategic planning, which is the focus of this chapter. The Ulrich HR model, a common way to look at HRM strategic planning, provides an overall view of the role of HRM in the organization. His model is said to have started the movement that changed the view of HR; no longer merely a functional area, HR became more of a partnership within the organization. While his model has changed over the years, the current model looks at alignment of HR activities with the overall global business strategy to form a strategic partnership (Ulrich & Brockbank, 2005). His newly revised model looks at five main areas of HR:

1. **Strategic partner.** Partnership with the entire organization to ensure alignment of the HR function with the needs of the organization.
2. **Change agent.** The skill to anticipate and respond to change within the HR function, but as a company as a whole.
3. **Administrative expert and functional expert.** The ability to understand and implement policies, procedures, and processes that relate to the HR strategic plan.
4. **Human capital developer.** Means to develop talent that is projected to be needed in the future.
5. **Employee advocate.** Works for employees currently within the organization.

According to Ulrich (Ulrich, 2011), implementation of this model must happen with an understanding of the overall company objectives, problems, challenges, and opportunities. For example, the HR professional must understand the dynamic nature of the HRM environment, such as changes in labor markets, company culture and values, customers, shareholders, and the economy. Once this occurs, HR can determine how best to meet the needs of the organization within these five main areas.

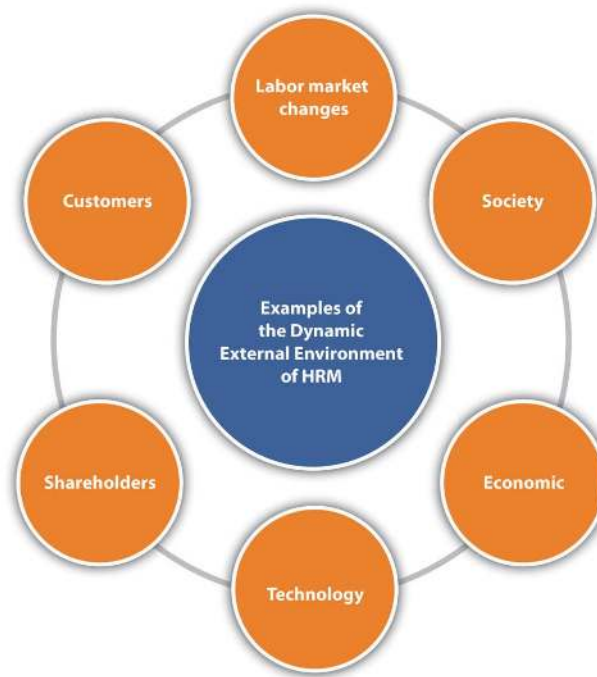


Figure 2.2.1: To be successful in writing an HRM strategic plan, one must understand the dynamic external environment.. (This work)

HRM as a Strategic Component of the Business



- David Ulrich discusses the importance of bringing HR to the table in strategic planning.

Keeping the Ulrich model in mind, consider these four aspects when creating a good HRM strategic plan:

1. **Make it applicable.** Often people spend an inordinate amount of time developing plans, but the plans sit in a file somewhere and are never actually used. A good strategic plan should be the guiding principles for the HRM function. It should be reviewed and changed as aspects of the business change. Involvement of all members in the HR department (if it's a larger department) and communication among everyone within the department will make the plan better.
2. **Be a strategic partner.** Alignment of corporate values in the HRM strategic plan should be a major objective of the plan. In addition, the HRM strategic plan should be aligned with the mission and objectives of the organization as a whole. For example,

if the mission of the organization is to promote social responsibility, then the HRM strategic plan should address this in the hiring criteria.

3. **Involve people.** An HRM strategic plan cannot be written alone. The plan should involve everyone in the organization. For example, as the plan develops, the HR manager should meet with various people in departments and find out what skills the best employees have. Then the HR manager can make sure the people recruited and interviewed have similar qualities as the best people already doing the job. In addition, the HR manager will likely want to meet with the financial department and executives who do the budgeting, so they can determine human resource needs and recruit the right number of people at the right times. In addition, once the HR department determines what is needed, communicating a plan can gain positive feedback that ensures the plan is aligned with the business objectives.
4. **Understand how technology can be used.** Organizations oftentimes do not have the money or the inclination to research software and find budget-friendly options for implementation. People are sometimes nervous about new technology. However, the best organizations are those that embrace technology and find the right technology uses for their businesses. There are thousands of HRM software options that can make the HRM processes faster, easier, and more effective. Good strategic plans address this aspect.

HR managers know the business and therefore know the needs of the business and can develop a plan to meet those needs. They also stay on top of current events, so they know what is happening globally that could affect their strategic plan. If they find out, for example, that an economic downturn is looming, they will adjust their strategic plan. In other words, the strategic plan needs to be a living document, one that changes as the business and the world changes.

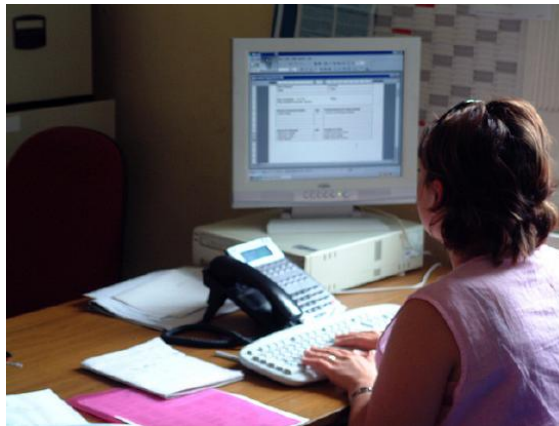


Figure 2.2.1: A good HRM strategic plan acknowledges and addresses the use of software in HRM operations.(Howard Russell – Lefroy House – CC BY-NC-ND 2.0.)

? Human Resource Recall

Have you ever looked at your organization's strategic plan? What areas does the plan address?

The Steps to Strategic Plan Creation

As we addressed in “The Steps to Strategic Plan Creation”, HRM strategic plans must have several elements to be successful. There should be a distinction made here: the HRM strategic plan is different from the HR plan. Think of the HRM strategic plan as the major objectives the organization wants to achieve, while the HR plan consists of the detailed plans to ensure the strategic plan is achieved. Oftentimes the strategic plan is viewed as just another report that must be written. Rather than jumping in and writing it without much thought, it is best to give the plan careful consideration.

The goal of “Conduct a Strategic Analysis” is to provide you with some basic elements to consider and research before writing any HRM plans.

Conduct a Strategic Analysis

A strategic analysis looks at three aspects of the individual HRM department:

1. **Understanding of the company mission and values.** It is impossible to plan for HRM if one does not know the values and missions of the organization. As we have already addressed in this chapter, it is imperative for the HR manager to align department objectives with organizational objectives. It is worthwhile to sit down with company executives, management, and supervisors to make sure you have a good understanding of the company mission and values.
2. Another important aspect is the understanding of the organizational life cycle. You may have learned about the life cycle in marketing or other business classes, and this applies to HRM, too. An organizational life cycle refers to the introduction, growth, maturity, and decline of the organization, which can vary over time. For example, when the organization first begins, it is in the introduction phase, and a different staffing, compensation, training, and labor/employee relations strategy may be necessary to align HRM with the organization's goals. This might be opposed to an organization that is struggling to stay in business and is in the decline phase. That same organization, however, can create a new product, for example, which might again put the organization in the growth phase. [Table 2.2.2](#) explains some of the strategies that may be different depending on the organizational life cycle.
3. **Understanding of the HRM department mission and values.** HRM departments must develop their own departmental mission and values. These guiding principles for the department will change as the company's overall mission and values change. Often the mission statement is a list of what the department does, which is less of a strategic approach. Brainstorming about HR goals, values, and priorities is a good way to start. The mission statement should express how an organization's human resources help that organization meet the business goals. A poor mission statement might read as follows: "The human resource department at Techno, Inc. provides resources to hiring managers and develops compensation plans and other services to assist the employees of our company."
4. A strategic statement that expresses how human resources help the organization might read as follows: "HR's responsibility is to ensure that our human resources are more talented and motivated than our competitors', giving us a competitive advantage. This will be achieved by monitoring our turnover rates, compensation, and company sales data and comparing that data to our competitors" (Kaufman, 2011). When the mission statement is written in this way, it is easier to take a strategic approach with the HR planning process.
5. **Understanding of the challenges facing the department.** HRM managers cannot deal with change quickly if they are not able to predict changes. As a result, the HRM manager should know what upcoming challenges may be faced to make plans to deal with those challenges better when they come along. This makes the strategic plan and HRM plan much more usable.

Table 2.2.22 Lifecycle Stages and HRM Strategy

Life Cycle Stage	Staffing	Compensation	Training and Development	Labor / Employee Relations
Introduction	Attract best technical and professional talent.	Meet or exceed labor market rates to attract needed talent.	Define future skill requirements and begin establishing career ladders.	Set basic employee-relations philosophy of organization.
Growth	Recruit adequate numbers and mix of qualifying workers. Plan management succession. Manage rapid internal labor market movements.	Meet external market but consider internal equity effects. Establish formal compensation structures.	Mold effective management team through management development and organizational development.	Maintain labor peace, employee motivation, and morale.
Maturity	Encourage sufficient turnover to minimize layoffs and provide new openings. Encourage mobility as reorganizations shift jobs around.	Control compensation costs.	Maintain flexibility and skills of an aging workforce.	Control labor costs and maintain labor peace. Improve productivity.
Decline	Plan and implement workforce reductions and reallocations; downsizing and outplacement may occur during this stage.	Implement tighter cost control.	Implement retraining and career consulting services.	Improve productivity and achieve flexibility in work rules. Negotiate job security and employment-adjustment policies

Source: *Seattle University Presentation*, accessed July 11, 2011, fac-staff.seattleu.edu/gprussia/web/mgt383/HR%20Planning1.ppt.

Identify Strategic HR Issues

In this step, the HRM professionals will analyze the challenges addressed in the first step. For example, the department may see that it is not strategically aligned with the company's mission and values and opt to make changes to its departmental mission and values as a result of this information.

Many organizations and departments will use a strategic planning tool that identifies strengths, weaknesses, opportunities, and threats (SWOT analysis) to determine some of the issues they are facing. Once this analysis is performed for the business, HR can align itself with the needs of the business by understanding the business strategy. See [Table 2.2.3](#) for an example of how a company's SWOT analysis can be used to develop a SWOT analysis for the HR department.

Once the alignment of the company SWOT is completed, HR can develop its own SWOT analysis to determine the gaps between HR's strategic plan and the company's strategic plan. For example, if the HR manager finds that a department's strength is its numerous training programs, this is something the organization should continue doing. If a weakness is the organization's lack of consistent compensation throughout all job titles, then the opportunity to review and revise the compensation policies presents itself. In other words, the company's SWOT analysis provides a basis to address some of the issues in the organization, but it can be whittled down to also address issues within the department.

Table 2.2.3 Sample HR Department SWOT Analysis for Techno, Inc.

Strengths	Hiring talented people
Company growth	
Technology implementation for business processes	
Excellent relationship between HRM and management/executives	
Weaknesses	No strategic plan for HRM
	No planning for up/down cycles
	No formal training processes
	Lacking of software needed to manage business processes, including go-to-market staffing strategies
Opportunities	Development of HRM staffing plan to meet industry growth
	HRM software purchase to manage training, staffing, assessment needs for an unpredictable business cycle
	Continue development of HRM and executive relationship by attendance and participation in key meetings and decision-making processes
	Develop training programs and outside development opportunities to continue development of in-house marketing expertise
Threats	Economy
	Changing technology

Prioritize Issues and Actions

Based on the data gathered in the last step, the HRM manager should prioritize the goals and then put action plans together to deal with these challenges. For example, if an organization identifies that they lack a comprehensive training program, plans should be developed that address this need. An important aspect of this step is the involvement of the management and executives in the organization. Once you have a list of issues you will address, discuss them with the management and executives, as they may see other issues or other priorities differently than you. Remember, to be effective, HRM must work with the organization and assist the organization in meeting goals. This should be considered in every aspect of HRM planning.

Draw Up an HRM Plan

Once the HRM manager has met with executives and management, and priorities have been agreed upon, the plans are ready to be developed. Sometimes companies have great strategic plans, but when the development of the details occurs, it can be difficult to align the strategic plan with the more detailed plans. An HRM manager should always refer to the overall strategic plan before developing the HRM strategic plan and HR plans.

Even if a company does not have an HR department, HRM strategic plans and HR plans should still be developed by management. By developing and monitoring these plans, the organization can ensure the right processes are implemented to meet the ever-changing needs of the organization. The strategic plan looks at the organization as a whole, the HRM strategic plan looks at the department as a whole, and the HR plan addresses specific issues in the human resource department.

Key Takeaways

- *Personnel management* and *HRM* are different ways of looking at the job duties of human resources. Twenty years ago, personnel management focused on administrative aspects. HRM today involves a strategic process, which requires working with other departments, managers, and executives to be effective and meet the needs of the organization.
- In general, HRM focuses on several main areas, which include staffing, policy development, compensation and benefits, retention issues, training and development, and regulatory issues and worker protection.
- To be effective, the HR manager needs to utilize technology and involve others.

- As part of strategic planning, HRM should conduct a strategic analysis, identify HR issues, determine and prioritize actions, and then draw up the HRM plan.

Exercises

1. What is the difference between HR plans and HRM strategic plans? How are they the same? How are they different?
2. Of the areas of focus in HRM, which one do you think is the most important? Rank them and discuss the reasons for your rankings.

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2.3: Writing the HRM Plan

Learning Objectives

1. Describe the steps in the development of an HRM plan.

As addressed in 2.1, the writing of an HRM strategic plan should be based on the strategic plans of the organization and of the department. Once the strategic plan is written, the HR professional can begin work on the HR plan. This is different from the strategic plan in that it is more detailed and more focused on the short term.

How Would You Handle This?

Compensation Is a Touchy Subject

As the HR manager, you have access to sensitive data, such as pay information. As you are looking at pay for each employee in the marketing department, you notice that two employees with the same job title and performing the same job are earning different amounts of money. As you dig deeper, you notice the employee who has been with the company for the least amount of time is actually getting paid more than the person with longer tenure. A brief look at the performance evaluations shows they are both star performers. You determine that two different managers hired the employees, and one manager is no longer with the organization. How would you handle this?

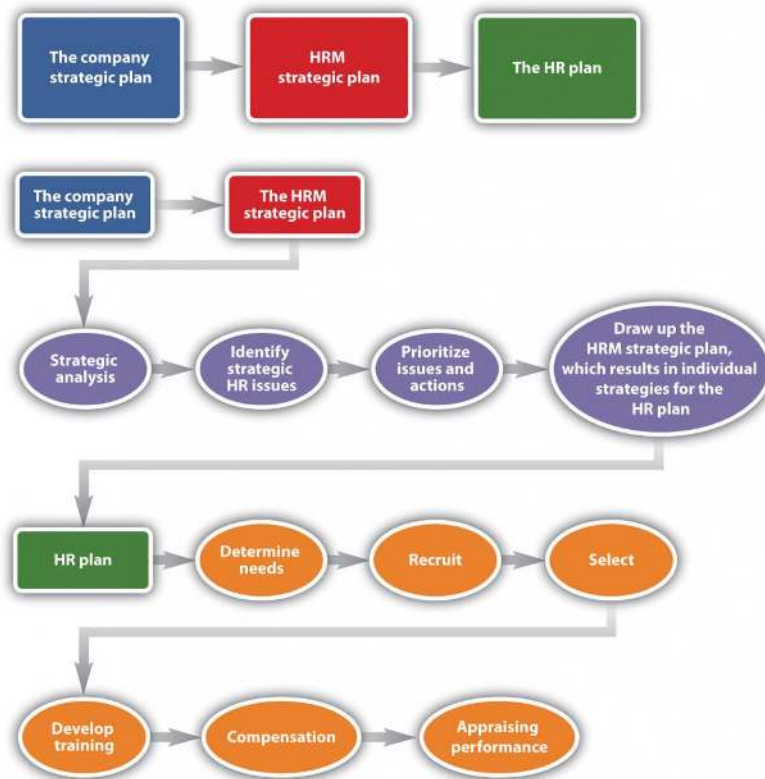


Figure 2.3.1: As you can see from this figure, the company strategic plan ties into the HRM strategic plan, and from the HRM strategic plan, the HR plan can be developed. (CC-BY-NC-SA This work)

The six parts of the HRM plan include the following:

1. **Determine human resource needs.** This part is heavily involved with the strategic plan. What growth or decline is expected in the organization? How will this impact your workforce? What is the economic situation? What are your forecasted sales for next year?
2. **Determine recruiting strategy.** Once you have a plan in place, it's necessary to write down a strategy addressing how you will recruit the right people at the right time.

3. **Select employees.** The selection process consists of the interviewing and hiring process.
4. **Develop training.** Based on the strategic plan, what training needs are arising? Is there new software that everyone must learn? Are there problems in handling conflict? Whatever the training topics are, the HR manager should address plans to offer training in the HRM plan.
5. **Determine compensation.** In this aspect of the HRM plan, the manager must determine pay scales and other compensation such as health care, bonuses, and other perks.
6. **Appraise performance.** Sets of standards need to be developed so you know how to rate the performance of your employees and continue with their development.

Each chapter of this text addresses one area of the HR plan, but the next sections provide some basic knowledge of planning for each area.

Determine Human Resource Needs

The first part of an HR plan will consist of determining how many people are needed. This step involves looking at company operations over the last year and asking a lot of questions:

1. Were enough people hired?
2. Did you have to scramble to hire people at the last minute?
3. What are the skills your current employees possess?
4. What skills do your employees need to gain to keep up with technology?
5. Who is retiring soon? Do you have someone to replace them?
6. What are the sales forecasts? How might this affect your hiring?

These are the questions to answer in this first step of the HR plan process. As you can imagine, this cannot be done alone. Involvement of other departments, managers, and executives should take place to obtain an accurate estimate of staffing needs for now and in the future.

Many HR managers will prepare an inventory of all current employees, which includes their educational level and abilities. This gives the HR manager the big picture on what current employees can do. It can serve as a tool to develop employees' skills and abilities, if you know where they are currently in their development. For example, by taking an inventory, you may find out that Richard is going to retire next year, but no one in his department has been identified or trained to take over his role. Keeping the inventory helps you know where gaps might exist and allows you to plan for these gaps.

HR managers will also look closely at all job components and will analyze each job. By doing this analysis, they can get a better picture of what kinds of skills are needed to perform a job successfully. Once the HR manager has performed the needs assessment and knows exactly how many people, and in what positions and time frame they need to be hired, he or she can get to work on recruiting, which is also called a staffing plan.

Recruit

Recruitment is an important job of the HR manager. Knowing how many people to hire, what skills they should possess, and hiring them when the time is right are major challenges in the area of recruiting. Hiring individuals who have not only the skills to do the job but also the attitude, personality, and fit can be the biggest challenge in recruiting. Depending on the type of job you are hiring for, you might place traditional advertisements on the web or use social networking sites as an avenue. Some companies offer bonuses to employees who refer friends. No matter where you decide to recruit, it is important to keep in mind that the recruiting process should be fair and equitable and diversity should be considered.

Depending on availability and time, some companies may choose to outsource their recruiting processes. For some types of high-level positions, a head hunter will be used to recruit people nationally and internationally. A head hunter is a person who specializes in matching jobs with people, and they usually work only with high-level positions. Another option is to use an agency that specializes in hiring people for a variety of positions, including temporary and permanent positions. Some companies decide to hire temporary employees because they anticipate only a short-term need, and it can be less expensive to hire someone for only a specified period of time.

No matter how it is done, recruitment is the process of obtaining résumés of people interested in the job. In our next step, we review those résumés, interview, and select the best person for the job.

Select

After you have reviewed résumés for a position, now is the time to work toward selecting the right person for the job. Numerous studies have been done, and while they have various results, the majority of studies say it costs an average of \$45,000 to hire a new manager (Herman, 1993). While this may seem exaggerated, consider the following items that contribute to the cost:

1. Time to review résumés
2. Time to interview candidates
3. Interview expenses for candidates
4. Possible travel expenses for new hire or recruiter
5. Possible relocation expenses for new hire
6. Additional bookkeeping, payroll, 401(k), and so forth
7. Additional record keeping for government agencies
8. Increased unemployment insurance costs
9. Costs related to lack of productivity while new employee gets up to speed

Because it is so expensive to hire, it is important to do it right. First, résumés are reviewed and people who closely match the right skills are selected for interviews. Many organizations perform phone interviews first so they can further narrow the field. The HR manager is generally responsible for setting up the interviews and determining the interview schedule for a particular candidate. Usually, the more senior the position is, the longer the interview process takes, even up to eight weeks (Crant, 2009). After the interviews are conducted, there may be reference checks, background checks, or testing that will need to be performed before an offer is made to the new employee. HR managers are generally responsible for this aspect. Once the applicant has met all criteria, the HR manager will offer the selected person the position. At this point, salary, benefits, and vacation time may be negotiated. Compensation is the next step in HR management.

Determine Compensation

What you decide to pay people is much more difficult than it seems. Pay systems must be developed that motivate employees and reflect fairness across the organization. However, organizations cannot offer every perk or benefit because compensation budgets always have constraints. Even government agencies and public universities must carefully plan compensation as part of their HR strategy.

For example, Wisconsin's 2023–25 pay plan included a 4% pay increase for eligible employees (retroactive to July 2, 2023) and an additional 2% increase for July 2024, demonstrating how public organizations use wage adjustments to remain competitive and retain employees (Wisconsin Legislative Fiscal Bureau, 2023).

The same compensation plan applied to many University of Wisconsin employees, showing how state-supported institutions must balance workforce retention and morale with state budget decisions and approval processes (University of Wisconsin–Madison News, 2023).

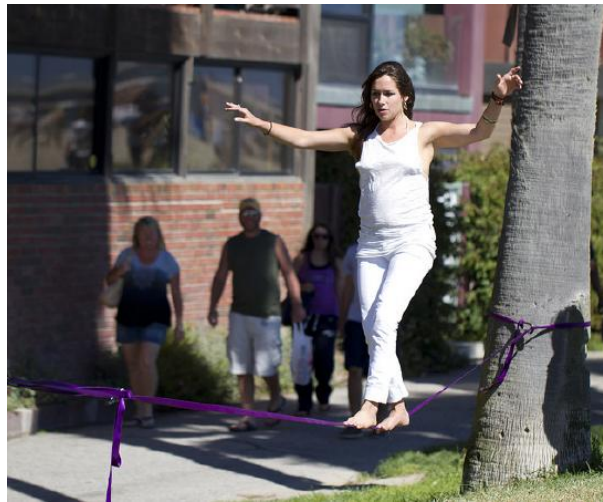


Figure 2.3.2: Determination of compensation systems is a balancing act. Compensation should be high enough to motivate current employees and attract new ones but not so high that it breaks the budget. (Nathan Rupert – [Venice Beach Tightrope Walker](#) – CC BY-NC-ND 2.0)

The process in determining the right pay for the right job can have many variables, in addition to keeping morale high. First, as we have already discussed, the organization life cycle can determine the pay strategy for the organization. The supply and demand of those skills in the market, economy, region, or area in which the business is located is a determining factor in compensation strategy. For example, a company operating in Seattle may pay higher for the same job than their division in Missoula, Montana, because the cost of living is higher in Seattle. The HR manager is always researching to ensure the pay is fair and at market value. For many organizations, training is a perk. Employees can develop their skills while getting paid for it. Training is the next step in the HR planning process.

Develop Training

Once we have planned our staffing, recruited people, selected employees, and then compensated them, we want to make sure our new employees are successful. One way we can ensure success is by training our employees in three main areas:

1. **Company culture.** A company culture is the organization's way of doing things. Every company does things a bit differently, and by understanding the corporate culture, the employee will be set up for success. Usually this type of training is performed at an orientation, when an employee is first hired. Topics might include how to request time off, dress codes, and processes.
2. **Skills needed for the job.** If you work for a retail store, your employees need to know how to use the register. If you have sales staff, they need to have product knowledge to do the job. If your company uses particular software, training is needed in this area.
3. **Human relations skills.** These are non-job-specific skills your employees need not only to do their jobs but also to make them all-around successful employees. Skills needed include communication skills and interviewing potential employees.

Perform a Performance Appraisal

The last thing an HR manager should plan is the performance appraisal. A performance appraisal is a method by which job performance is measured. The performance appraisal can be called many different things, such as the following:

1. Employee appraisal
2. Performance review
3. 360 review
4. Career development review

No matter what the name, these appraisals can be very beneficial in motivating and rewarding employees. The performance evaluation includes metrics on which the employee is measured. These metrics should be based on the job description, both of which the HR manager develops. Various types of rating systems can be used, and it's usually up to the HR manager to develop these as well as employee evaluation forms. The HR manager also usually ensures that every manager in the organization is trained

on how to fill out the evaluation forms, but more importantly, how to discuss job performance with the employee. Then the HR manager tracks the due dates of performance appraisals and sends out e-mails to those managers letting them know it is almost time to write an evaluation.

? Human Resource Recall

Have you ever been given a performance evaluation? What was the process and the outcome?

Communication Is Key in Performance Evaluations



- Communication is imperative in any workplace, but especially when giving and receiving a performance evaluation.

Key Takeaways

- Human resource planning is a process that is part of the strategic plan. It involves addressing specific needs within the organization, based on the company's strategic direction.
- The first step in HR planning is determining current and future human resource needs. In this step, current employees, available employees in the market, and future needs are all analyzed and developed.
- In the second step of the process, once we know how many people we will need to hire, we can begin to determine the best methods for recruiting the people we need. Sometimes an organization will use *head hunters* to find the best person for the job.
- After the recruiting process is finished, the HR manager will begin the selection process. This involves setting up interviews and selecting the right person for the job. This can be an expensive process, so we always want to hire the right person from the beginning.
- HR managers also need to work through compensation plans, including salary, bonus, and other benefits, such as health care. This aspect is important, since most organizations want to use compensation to attract and retain the best employees.
- The HR manager also develops training programs to ensure the people hired have the tools to be able to do their jobs successfully.

Exercises

1. Of the parts of HR planning, which do you think is most difficult, and why? Which would you enjoy the most, and why?
2. Why is it important to plan your staffing before you start to hire people?
3. What is the significance of training? Why do we need it in organizations?

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2.4: Tips in HRM Planning

Learning Objectives

1. Explain the aspects needed to create a usable and successful HRM plan.

As you have learned from this chapter, human resource strategic planning involves understanding your company's strategic plan and HR's role in the organization. The planning aspect meets the needs of the strategic plan by knowing how many people should be hired, how many people are needed, and what kind of training they need to meet the goals of the organization. This section gives some tips on successful HR strategic planning.

Fortune 500 Focus

Like many *Fortune* 500 companies throughout the world, IBM in India finds that picking the best prospects for job postings isn't always easy. By using advanced analytics, however, it aims to connect the strategic plan, staffing needs, and the hiring process using a simple tool. The project was originally developed to assign people to projects internally at IBM, but IBM found this tool able to not only extract essential details like the number of years of experience but also make qualitative judgments, such as how good the person actually is for the job (Chari, 2011). This makes the software unique, as most résumé-scanning software programs can only search for specific keywords and are not able to assess the job fit or tie the criteria directly to the overall strategic plan. The project uses IBM India's spoken web technology, in which the prospective employee answers a few questions, creating the equivalent of voice résumé. Then using these voice résumés, the hiring manager can easily search for those prospects who meet the needs of the organization and the objectives of the strategic plan.

- Some of the challenges noted with this software include the recognition of language and dialect issues. However, the IBM human resources solution is still one of the most sophisticated of such tools to be developed. "Services is very people-intensive. Today, there is talk of a war for talent, but attracting the right kind of people is a challenge, yet unemployment is very high. Our solution applies sophisticated analytics to workforce management," says Manish Gupta, director at IBM Research-India (Chari, 2011).
- It is likely that this is only the beginning of the types of technology that allow HR professionals to tie their HR plans directly to a strategic plan with the touch of a few buttons.

Link HRM Strategic Plan to Company Plan

Understanding the nature of the business is key to being successful in creating a strategic plan for HRM. Because every business is different, the needs of the business may change, depending on the economy, the season, and societal changes in our country. HR managers need to understand all these aspects of the business to better predict how many people are needed, what types of training are needed, and how to compensate people, for example. The strategic plan that the HR manager writes should address these issues. To address these issues, the HR manager should develop the departmental goals and HR plans based on the overall goals of the organization. In other words, HR should not operate alone but in tandem with the other parts of the organization. The HRM plan should reflect this.



Figure 2.4.1: The HRM department should operate in tandem with other departments to meet the needs of the organization.
(Skydive Andes Chile – Tandem Javier Diaz – CC BY-ND 2.0)

Monitor the Plan Constantly

Oftentimes a great strategic plan is written, taking lots of time, but isn't actually put into practice for a variety of reasons, such as the following:

1. The plan wasn't developed so that it could be useful.
2. The plan wasn't communicated with management and others in the HRM department.
3. The plan did not meet the budget guidelines of the organization.
4. The plan did not match the strategic outcomes of the organization.
5. There was lack of knowledge on how to actually implement it.

There is no point in developing a plan that isn't going to be used. Developing the plan and then making changes as necessary are important to making it a valuable asset for the organization. A strategic plan should be a living document, in that it changes as organizational or external factors change. People can get too attached to a specific plan or way of doing things and then find it hard to change. The plan needs to change constantly or it won't be of value.

Measure It

A good strategic plan and HR plan should discuss the way "success" will be measured. For example, rather than writing, "Meet the hiring needs of the organization," be more specific: "Based on sales forecasts from our sales department, hire ten people this quarter with the skills to meet our ten job openings." This is a goal that is specific enough to be measured. These types of quantitative data also make it easier to show the relationship between HR and the organization, and better yet, to show how HR adds value to the bottom line. Likewise, if a company has a strategic objective to be a safe workplace, you might include a goal to "develop training to meet the needs of the organization." While this is a great goal, how will this be measured? How will you know if you did what you were supposed to do? It might be difficult to measure this with such a general statement. On the other hand, a goal to "develop a safety training workshop and have all employees complete it by the end of the year" is specific and can be measured at the end to determine success.

? Human Resource Recall

What are some of your personal goals? Are these goals measureable?

Sometimes Change Is Necessary

It can be difficult to base an entire plan on forecasted numbers. As a result, an HRM department that is willing to change quickly to meet the needs of the organization proves its worthiness. Consider a sales forecast that called for fifteen new hires, but you find out months later the organization is having a hard time making payroll. Upon digging deeper, you find the sales forecasts were

overexaggerated, and now you have fifteen people you don't really need. By monitoring the changes constantly (usually done by asking lots of questions to other departments), you can be sure you are able to change your strategic plan as they come.

Be Aware of Legislative Changes

One of the major challenges in HRM is having an awareness of what is happening from a legal perspective. Because most budgets are based on certain current laws, knowing when the law changes and how it will affect department budgets and planning (such as compensation planning) will create a more solid strategic plan. For example, if the minimum wage goes up in your state and you have minimum wage workers, reworking the budget and communicating this change to your accounting team is imperative in providing value to the organization. We will discuss various legislation throughout this book.

Key Takeaways

- As has been the theme throughout this chapter, any HRM plan should be directly linked to the strategic plan of the organization.
- A plan should be constantly updated and revised as things in the organization change.
- A good strategic plan provides tools to determine whether you met the goal. Any plan should have measureable goals so the connection to success is obvious.
- Changes in a strategic plan and in goal setting are necessary as the internal and external environments change. An HR manager should always be aware of changes in forecasts, for example, so the plan can change, too.
- Legislative changes may impact strategic plans and budgets as well. It's important to make sure HR managers are keeping up on these changes and communicating them.

Exercises

1. What are some ways an HR manager can keep up on legislative changes? Do a web search and list specific publications that may help keep the HR manager aware of changes.
2. Why is it important to be able to measure strategic plans? What might happen if you don't?

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CHAPTER OVERVIEW

3: Diversity and Multiculturalism

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3.1: Introduction

Hiring Multicultural

On a Tuesday afternoon, as you are getting ready to go to lunch, you receive an e-mail from your human resources (HR) manager about the need to hire a new project manager, and there is a \$500 bonus for referring a friend who successfully joins the company. Immediately, you e-mail your friend Daniel, because you know he would be great for the job. Daniel is eventually hired for the position, and a few months later a new e-mail goes out asking for friend recommendations for a new position. You and Daniel both recommend someone, and eventually that person gets hired. Over the next year, hiring notices are not advertised externally as the organization has had good luck with this hiring practice. Seems like a great way to recruit new people, doesn't it? It can be, but it also can be a detriment to the diversity and multiculturalism of the workplace. How, you might wonder?

Research in social network science continues to show that people tend to form social ties with others who are similar to themselves on dimensions such as race, age, income, and education, a phenomenon known as **homophily**. For example, a large study of more than 24,000 adults found that individuals' friend groups tend to be composed disproportionately of people who are similar in socio-demographic characteristics, even as overall societal diversity increases; this pattern was observed across race, age, income, and education, and was linked with social cohesion and individual well-being (Ramos et al., 2024). Additionally, research on adolescent friendship networks demonstrates that homophily on characteristics such as ethnicity and socioeconomic status continues to shape peer relationships and social identity development (Kornienko et al., 2024). Moreover, analyses across multiple countries indicate that stronger, closer social ties are more likely to occur between individuals who share key sociodemographic traits, highlighting that similarity plays a role especially in more meaningful relationships (Kretschmer, 2024).

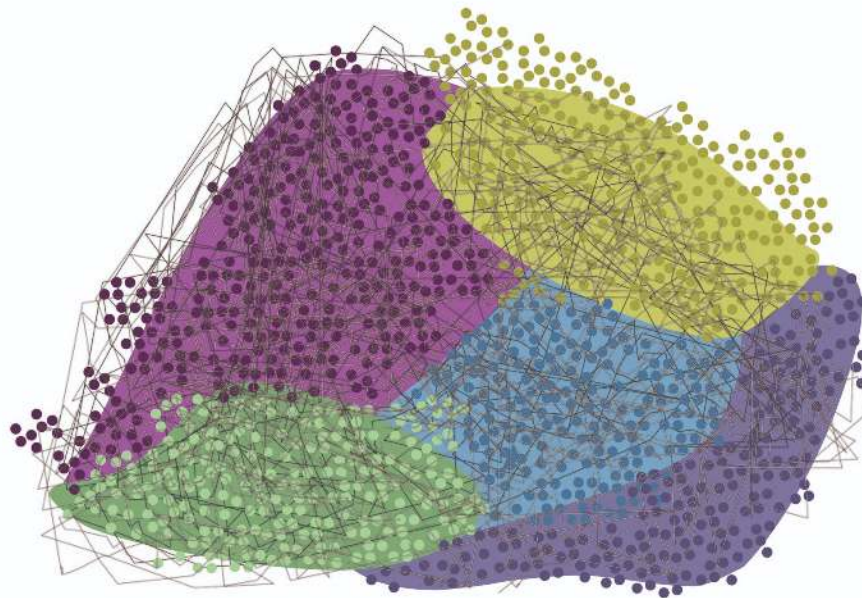


Figure 3.1: People tend to form relationships with people who are similar to oneself.

As a result, when you recommend Daniel for a position, it is highly likely that Daniel is similar, from a diversity perspective, to you. Then, when Daniel recommends someone for a job, it is highly likely that he, too, is recommending someone with similar characteristics as you both. This obviously creates a lack of multicultural diversity in the workplace, which can mean lost profits for companies.

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3.2: Diversity and Multiculturalism

Learning Objectives

1. Define, explain, and identify your own power and privilege.
2. Provide reasoning as to why diversity is important to maintain profitability.

Many people use the terms diversity and multiculturalism interchangeably, but there are important distinctions in how these concepts are understood in current organizational and HR practice. Diversity refers to the presence of differences among people in an organization, including characteristics such as race, gender, age, sexual orientation, religion, ability, socioeconomic status, and more. Diversity often focuses on the demographic composition of a workforce—who is present in the organization—and is a foundational step toward equitable and inclusive workplaces. This measurable aspect of diversity is important in recruitment and compliance with anti-discrimination laws and equal employment opportunity regulations, such as those enforced by the U.S. Equal Employment Opportunity Commission (EEOC), which addresses workplace discrimination complaints and helps ensure lawful treatment of employees based on protected characteristics under federal law (e.g., Title VII of the Civil Rights Act of 1964 and the Equal Employment Opportunity Act of 1972).

In contrast, multiculturalism goes beyond simply recognizing demographic differences to focus on valuing, celebrating, and integrating diverse cultural perspectives into organizational culture. It emphasizes inclusiveness, respect, understanding, and the recognition of systemic inequities and power dynamics that shape workplace experiences and opportunities. While diversity describes “what” differences exist in an organization, multiculturalism and related frameworks such as inclusion and equity describe “how” those differences are acknowledged, valued, and supported in daily interactions and organizational norms, practices, and culture. A multicultural approach fosters environments where all employees—not just those from majority or dominant groups—feel respected, engaged, and able to contribute fully to organizational success.

Contemporary organizational research has continued to build on that critique, highlighting that diversity initiatives must be coupled with inclusive and culturally competent practices to create workplaces where differences are not just present but are actively engaged as strengths and sources of innovation and belonging. Effective diversity and multicultural strategies today emphasize not only representation but also equity, inclusion, and cultural competence, aiming to address systemic barriers and support meaningful participation for all employees.

This chapter focuses on the advantages of a diverse workplace and discusses multiculturalism at work and the compliance aspect of diversity.

Power and Privilege

As discussed in this chapter, diversity traditionally emphasizes the presence of differences among individuals and the use of policies and procedures to ensure fair and equal treatment. From a legal and compliance standpoint, this approach is essential and remains a core responsibility of Human Resource Management. However, contemporary discussions of workplace equity recognize that treating everyone the same does not always produce equitable outcomes, particularly when individuals enter organizations with different historical, social, and structural advantages.

Multiculturalism and related frameworks such as equity and inclusion extend beyond policy compliance to examine how systems of power and privilege operate in society and organizations. Power and privilege refer to unearned advantages that individuals may experience based on characteristics such as race, gender, socioeconomic status, sexual orientation, or ability—advantages that are often embedded in norms, expectations, and institutional practices. These systems have historically centered the experiences and perspectives of dominant groups, shaping workplace rules, leadership norms, and definitions of professionalism.

One challenge of understanding power and privilege is that those who benefit from them may not readily recognize them, a concept often described as invisible privilege. For example:

- **Racial privilege** may appear in everyday interactions, such as assumptions about authority, financial responsibility, or credibility that align with dominant racial identities. While these moments may seem minor to those who benefit, they can accumulate and create frustration or exclusion for those who do not.

- Example: Let's say you (a Caucasian) and your friend (an African American) are having dinner together, and when the bill comes, the server gives the check to you. While this may not seem like a big issue, it assumes you (being Caucasian) are the person paying for the meal. This type of invisible privilege may not seem to matter if you have that privilege, but if you don't, it can be infuriating.
- **Socioeconomic privilege** becomes visible during crises or organizational expectations, such as assuming all employees have access to reliable transportation, technology, or flexible schedules—assumptions that do not reflect the realities of all workers.
 - Example: When Hurricane Harvey hit Texas in 2017 or Katrina hit New Orleans in 2005, many people questioned why some residents did not evacuate flooded areas. This reaction often overlooked structural barriers such as limited access to transportation, inability to miss work, lack of financial resources for hotels or gas, and responsibilities for children, elderly family members, or pets. For many low-income residents, evacuation was not a realistic option, highlighting how socioeconomic privilege shapes who has the ability to respond to disasters.
- **Gender privilege** can surface through norms around leadership, caregiving expectations, or cultural assumptions (for example, assumptions about name changes after marriage or who is expected to manage family responsibilities).
 - Example: Women are often expected to take primary responsibility for childcare or elder care and may be judged negatively for requesting flexibility, while men who request similar accommodations may be praised for being “involved parents.” These differing expectations can affect evaluations, promotions, and career advancement.
- **Sexual orientation and gender identity privilege** may allow some individuals to openly discuss their personal lives without concern for judgment, safety, or professional consequences—freedoms not equally available to all employees.
 - Example: A heterosexual employee can openly display photos of their partner or casually talk about their personal life without concern about judgment, discomfort, or professional consequences—an ease that is not always shared by LGBTQ+ employees, who may feel pressure to withhold personal information to avoid bias or discrimination.

Because privilege often operates invisibly, individuals may adopt a color-blind or difference-blind approach, expressed through statements such as “I treat everyone the same” or “I don’t see differences.” While typically well-intentioned, research shows that this approach can unintentionally dismiss lived experiences and ignore structural inequities, limiting an organization’s ability to respond effectively to different needs, strengths, and perspectives (Plaut et al., 2009; Plaut, 2010).

It is also important to recognize that power and privilege are not absolute. Individuals may experience advantage in some areas and disadvantage in others, a concept known as intersectionality. For example, a person may experience racial privilege while simultaneously facing gender-based or socioeconomic barriers. Understanding power and privilege is not about assigning blame, but about increasing awareness of how systems influence workplace experiences and outcomes.

Implications for Human Resource Management

For HR professionals, this understanding highlights the importance of moving beyond compliance-only diversity efforts toward **inclusive and equitable practices**. This includes examining recruitment, selection, evaluation, promotion, and workplace culture to identify and reduce systemic barriers. Research consistently shows that organizations that value diverse perspectives and foster inclusive environments benefit from **improved decision-making, innovation, employee engagement, and organizational performance**. By acknowledging both differences and systems of advantage, HRM can play a critical role in building workplaces that are not only diverse, but also fair, inclusive, and effective.

? Human Resource Recall

Take this week to examine your own power and privilege as a result of gender, race, or social class. Notice how people treat you because of your skin color, gender, or how you dress and talk.

Why Diversity and Multiculturalism?



Figure 3.2.1: While there may be no “money fairy,” diversity has proven to result in higher profits for companies. Just Another Shot – Fairies!! – CC BY-NC-ND 2.0; Wikimedia Commons – public domain.

When many people look at diversity and multiculturalism, they think that someone’s gender, skin color, or social class shouldn’t matter. So diversity can help us with policies to prevent discrimination, while multiculturalism can help us gain a deeper understanding of the differences between people. Hopefully, over time, rather than look at diversity as attaining numerical goals or complying with the law, we can combine the concepts to create better workplaces. Although many books discuss laws relating to diversity, not many actually describe why diversity is necessary in the workplace. Here are a few main reasons:

1. It is the law.
2. We can better serve customers by offering a broader range of services, such as being able to speak a variety of languages and understanding other cultures.
3. We can better communicate with one another (saving time and money) and customers.
4. With a multicultural perspective, we can create better ideas and solutions.

Diversity and Inclusion in Practice

Many organizations today have elevated diversity, equity, and inclusion (DEI) from compliance-focused programs to strategic priorities tied to organizational performance and culture. For example, Accenture, a global professional services firm, has established dedicated leadership roles for DEI, set public workforce representation goals, and publishes annual inclusion reports to track progress and accountability. The company’s initiatives include equitable hiring practices, mentorship programs for underrepresented groups, unconscious bias training, and employee resource groups that support identity-based communities across its global operations. These efforts reflect DEI work that extends beyond compliance to foster inclusion, belonging, and retention across the employee lifecycle.¹

Similarly, Johnson & Johnson has implemented comprehensive DEI practices that incorporate measurable goals for increasing representation of women and ethnically diverse talent, sponsoring partnerships with Historically Black Colleges and Universities (HBCUs) and diverse professional associations, and embedding equity considerations into performance evaluations and leadership development. These strategies illustrate how modern HRM integrates diversity and inclusion into core business processes and talent strategies.

Business Value of Diversity and Inclusion

Contemporary research supports the idea that diversity and inclusion contribute to improved organizational performance—not as a fad, but as a strategic advantage. A 2018 McKinsey report found that companies in the top quartile for racial and ethnic diversity on executive teams were 33% more likely to outperform industry peers on profitability, and those in the top quartile for gender diversity were 25% more likely to have above-average profitability. A 2020 follow-up reported that the business case for diversity remains strong, with inclusion practices enhancing innovation outcomes, employee engagement, and decision-making quality.

Academic research also highlights the value of cognitive diversity—differences in perspectives, experiences, and problem-solving approaches. For example, Scott Page (2017) describes how diverse teams often produce better solutions to complex problems than homogeneous teams because they bring a wider variety of information, heuristics, and interpretations to decision making.

Organizational Culture and Resistance

Although the benefits of diversity and inclusion are well-documented, many employees may resist DEI efforts. Resistance can stem from discomfort with change, misperceptions about fairness or reverse discrimination, or difficulty recognizing one's own position within systems of power and privilege. Managing resistance requires intentional leadership, open dialogue, and training that builds awareness of structural advantage and the value of inclusive behavior.

Diversity Statements from Current Leaders

Contemporary leaders frequently articulate why DEI matters to their organizations. For example, the CEO of a global financial services firm, Visa Inc., has stated that a diverse and inclusive workforce is critical to serving global clients, driving innovation, and creating a workplace where individuals feel respected and valued.

Key Takeaways

- Diversity vs. Multiculturalism: Diversity ensures fair treatment by recognizing differences among employees, while multiculturalism emphasizes inclusion, respect, and addressing systemic inequities.
- Power, Privilege, and Intersectionality: Privilege can be invisible and vary across identity dimensions; understanding it helps create equitable workplaces that account for multiple forms of advantage and disadvantage.
- Business Benefits: Companies that integrate diversity and inclusion into strategy—through leadership support, measurable goals, and inclusive culture—see improved innovation, decision-making, employee engagement, and profitability.
- Role of HR and Leadership: HR and managers must go beyond compliance to foster multicultural understanding, manage resistance, and develop policies that value differences and reduce systemic barriers.

Exercises

1. Perform an Internet search to find a specific diversity policy for an organization. What is the policy? From what you know of the organization, do you believe they follow this policy in reality?

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3.3: Diversity Plans

Learning Objectives

1. Be able to apply strategies to create a multicultural work environment and diversity plans.
2. Be able to create an HR plan with diversity considerations.

While state and federal laws must be followed to ensure equal employment opportunity and fair treatment, the *culture* of the company and the way the organization operates day-to-day can either support a multicultural environment—or create barriers to it. Many organizations have formal, written policies that address discrimination, harassment, and inclusion. These policies are often found in employee handbooks and may include protections related to race, sex, religion, disability status, national origin, age, and other protected classifications.

For example, many companies include statements such as:

“We are committed to providing equal employment opportunities and maintaining a workplace free from discrimination and harassment. All employment decisions will be based on qualifications, merit, and business needs.”

Written statements like these are important because they set expectations and communicate the organization’s values. However, the existence of a policy alone does not guarantee a respectful or inclusive workplace. What matters most is whether the organization’s *behavior* matches the policy.

Culture vs. Policy

Implementing an anti-discrimination policy is an excellent first step, but inclusion depends heavily on the “unwritten rules” of the workplace. For example, an organization may have a published disability inclusion policy, but informal networking and relationship building may happen in ways that unintentionally exclude employees.

Consider these common workplace situations:

- After-hours networking expectations: Promotions and key projects may be influenced by “social bonding” that happens at late-night dinners, sports events, or weekend outings—making it difficult for employees with caregiving responsibilities, disabilities, or health limitations to participate.
- Team traditions that exclude certain groups: A workplace culture that centers celebrations around alcohol (like “Happy Hour Fridays”) could unintentionally exclude employees whose religion, recovery journey, medical needs, or personal values discourage drinking.
- Always-on communication norms: If important discussions happen through informal group chats after work hours, employees who need a predictable schedule—or who work different shifts—may miss out on valuable information and opportunities.
- Not accommodating different needs: A company may claim it supports accessibility, but still host meetings in spaces without accessible entrances, reliable captions for video calls, or flexible participation options.

These examples may not appear as “intentional discrimination,” but they can still create an environment where some groups have fewer opportunities to connect, contribute, and advance.

Creating and Using Diversity Management Plans

To support inclusive workplaces, many organizations develop diversity management plans that connect directly to their diversity policies and values. In larger organizations, leadership roles such as DEI Program Manager, Inclusion Specialist, or Diversity & Belonging Director may oversee these efforts. In smaller organizations, HR professionals and department leaders may share responsibility for diversity planning.

A diversity plan is more than a statement of support—it is a structured approach to making improvements. Organizations with specific diversity plans often make progress more consistently because goals are clear and outcomes can be measured.

There are three main steps to creating an effective diversity plan:

1. Assess Workplace Diversity

An organization should gather information to understand its current environment. Common assessment methods include:

- employee engagement or satisfaction surveys
- interviews, focus groups, or listening sessions
- anonymous feedback channels
- review of hiring, promotion, and turnover data

Inclusion of employees from different backgrounds and job levels is essential. If only a few voices are heard, the plan may miss important obstacles.

2. Develop the Diversity Plan

Based on what is learned in Step 1, HR and leadership should create attainable and measurable goals. Examples of measurable goals might include:

- increasing diverse applicant pools for key roles
- improving retention rates for underrepresented groups
- increasing accessibility in workplace systems and training
- strengthening mentorship and career development opportunities

Goals should be realistic, specific, and connected to daily HR practices.

3. Implement the Plan

Implementation requires visible commitment from leadership and consistent action throughout the organization. This includes:

- creating action steps tied to each goal
- assigning responsibility for each action step
- setting timeframes
- tracking progress using data and employee feedback

While HR may coordinate the plan, diversity efforts should not fall on one person or one department alone. A successful diversity plan involves the entire organization.

Recruitment and Selection

Organizations may not *intend* to be discriminatory, but their practices can still lead to discrimination or illegal outcomes. Recruitment methods are a common area where this can happen.

For example, the Equal Employment Opportunity Commission (EEOC) explains that job advertisements should not show preference for certain groups or discourage others from applying. Even casual language can send a message that not everyone belongs.

Examples of potentially problematic recruitment language include:

- “Digital native wanted” (may discourage older applicants)
- “Young and energetic team” (may imply age preference)
- “Perfect for a stay-at-home mom” (may imply gender-based expectations)
- “Must be able to lift 50 pounds” when it is not an essential function (may screen out qualified individuals with disabilities unnecessarily)

Another common diversity challenge occurs when job openings are filled mainly through informal networks:

Word-of-Mouth Recruiting

Relying only on employee referrals or word-of-mouth recruiting can reduce diversity—especially if the workforce is already not very diverse. For instance, if most current employees share similar backgrounds or social circles, new applicants may also come from the same groups. This may not be intentional, but it can still limit equal opportunity and create long-term imbalance in the workforce.

To support inclusion, HR should ensure job announcements are posted in multiple places to reach a broader audience. For example:

- major job boards
- community organizations and local workforce centers
- college and technical school career offices
- professional associations
- platforms designed to reach diverse candidates
- internal postings that are accessible to all employees

Also, avoid only posting jobs on personal social media pages or in private networks, where visibility may be limited to a narrow group.

Evaluating Selection Fairness: The Four-Fifths Rule

Discrimination can also occur during selection. A basic method used to evaluate potential selection bias is the four-fifths rule (80 percent rule). This guideline states that if the selection rate for one group is less than four-fifths (80%) of the selection rate for the group with the highest selection rate, there may be evidence of adverse impact.

Adverse impact occurs when a practice appears neutral but results in disproportionate harm to a protected group.

Example

Assume 100 women and 500 men apply for firefighter positions.

- 20 women are hired
- 250 men are hired

Calculate selection rates:

- Selection rate for women: $20/100 = 20\%$
- Selection rate for men: $250/500 = 50\%$

Now divide the lower selection rate by the higher selection rate:

- $0.20 / 0.50 = 0.40$ (40%)

Because 40% is less than 80%, this suggests possible adverse impact. This does not automatically mean intentional discrimination occurred, but it signals that the organization should review its hiring process to ensure it is fair, job-related, and legally defensible.

Testing

If employment tests are required, a test must be in direct relation to the job. For example, an organization that uses a personality test in hiring must be able to show that the personality test results are nondiscriminatory and do not exclude a population.

In addition, if a reasonable accommodation is needed, such as an interpreter, and it does not cause financial difficulty for the organization, this should be granted. Also consider the type of test and how it might exclude a certain group of people, such as those who don't speak English as a first language.

Pay and Promotion

Development of policies related to pay and promotion is key to fairness in a multicultural situation. It is widely published that women make about 77 percent of what men earn for similar jobs (Institute for Women's Policy Research, n.d.). Many studies have tried to determine a cause for this pay inequity, and here are some of the possible reasons studied and researched:

1. **Hours worked.** Studies have said that women tend to work fewer hours because of child-care and housework expectations.
2. **Occupational choice.** A study performed by Anne York at Meredith College (York, 2008) found that women tend to choose careers that pay less because they are worried about balancing family and career. In addition, numerous studies show that women choose careers on the basis of gender stereotypes (e.g., nurse, teacher) and that this leads to lower pay.
3. **Stereotypes.** The concept of male bias is a possibility. In many studies, people were more likely to choose male doctors over female doctors, even when experience and education were the same (Hekman, et. al., 2010). There appears to be a perception that men may be more competent in certain types of jobs.

4. **Maternity and family leave.** Women leaving the workforce for a short or extended period of time may affect the perception of promotability in the workplace.
5. **Salary negotiation** (Bowles & Babcock, 2008). A study performed by Bowles and Babcock showed that men were eight times more likely to negotiate salary than women. In addition, when women did negotiate, they received lower monetary returns. Consider a study performed by Cornell University, which found that women were often negatively affected in their job when they negotiated salary, as compared to men not being viewed negatively after negotiations.

Whatever the reason for pay difference, all managers should be aware of these differences when hiring and promoting. Allowing managers to determine the pay for their employees can also bring out negative stereotypes—and lead to breaking of the law. Determining a set pay schedule for all new and promoted employees can help remedy this situation.

A factor in promotions can also be the mentor-mentee relationship. Most individuals in organizations will have an informal mentor who helps them “through the ranks.” Traditionally, this informal mentor relationship results in someone “pairing up” with another who has similar physical characteristics, is the same gender, or has a similar mind-set. As a result, if the organization has, for example, mostly men, it is likely the female will not be informally mentored, which can result in lack of promotion. Likewise, if the workforce consists of mostly Caucasian females, it is likely the African American male may not develop an informal mentor relationship with his female counterparts. Development of a formal mentorship program to ensure that everyone has a mentor is one way to alleviate this situation. Mentorship programs are discussed in Chapter 8 “Training and Development”.

Now What?

Now that you have an awareness of the aspects of HR that could be affected by multiculturalism, you may consider what steps you can take to create a more multicultural workplace. The first step would be to create a diversity plan, as discussed earlier in this section. The second step would be to look at the operation of the HR department and to figure out what departmental measures can be taken to promote diversity.

HR, for example, can provide a training series on power and privilege and how it relates to the workplace. Awareness is the first step to creating a truly multicultural environment. Once employees recognize their own power and privilege, the training could be developed to include laws related to diversity, and discussions on bias can take place. Then discussions can be held on how to improve HR plans such as job analysis, recruitment, and selection to create a multicultural work environment. Rather than thinking about this training as one of many objectives that must be accomplished, think about the training from the conversation perspective. Getting the conversation started is the first step in this personal and professional development process for employees.



Figure 3.2: Checking your own perceptions on multiculturalism can be a good first step to creating a more multicultural and diverse workplace. Paul Townsend – relics of a bygone age – sounds you’ll probably never hear again! – CC BY-ND 2.0.

Some of the aspects to creating a training focused on multiculturalism might include the following:

1. Build a cultural knowledge about customs, religions, and histories.
2. Discuss treatment of people based on them as individuals, rather than as part of a “group,” which can result in stereotyping.

3. Teach employees to listen actively, which can help raise cultural awareness.
4. Train employees to rethink current policies and how those policies might be exclusive to a certain group.
5. Work on resistance to change. Many employees think, “This is the way we have always done it, and now we have to change it because we have a group of ____ working here now.”
6. Does your leadership team have a multiculturalism perspective? Are many ethnic backgrounds and other multicultural traits represented?

While these suggestions may not eliminate power and privilege, the ability to talk about differences and expectations can be a key ingredient to creating a more inclusive environment. Sometimes this type of training can help people evaluate their perceptions. For example, suppose a complaint came through that a woman was making derogatory sexual comments to only one group of men in an organization. When talked to about it, she said she made comments to the “techies” because she thought the comments would provide them a needed confidence boost, but she generally wouldn’t make those types of comments. This is an example of her perception (“techies” need confidence boosts from women) followed by her action (the comments) on this perception. When we assume our perceptions are correct, we are usually wrong. Training can get people to consider their emotions, stereotypes, and expectations. Besides training, asking ourselves a series of important questions can be the start to making diversity and multiculturalism work. The University of California, San Francisco human resource department lists some of these questions, which are shown in the sidebar.

Things to Consider When Creating a Multicultural and Diverse Work Environment

- Do you test your assumptions before acting on them?
- Do you believe there is only one right way of doing things, or that there are a number of valid ways that accomplish the same goal? Do you convey that to staff?
- Do you have honest relationships with each staff member you supervise? Are you comfortable with each of them? Do you know what motivates them, what their goals are, and how they like to be recognized?
- Are you able to give negative feedback to someone who is culturally different from you?
- When you have open positions, do you insist on a diverse screening committee and make additional outreach efforts to ensure that a diverse pool of candidates has applied?
- When you hire a new employee, do you not only explain job responsibilities and expectations clearly but orient the person to the campus and department culture and unwritten rules?
- Do you rigorously examine your unit’s existing policies, practices, and procedures to ensure that they do not differentially impact different groups? When they do, do you change them?
- Are you willing to listen to constructive feedback from your staff about ways to improve the work environment? Do you implement staff suggestions and acknowledge their contribution?
- Do you take immediate action with people you supervise when they behave in ways that show disrespect for others in the workplace, such as inappropriate jokes and offensive terms?
- Do you make good faith efforts to meet your affirmative action goals?
- Do you have a good understanding of institutional isms such as racism and sexism and how they manifest themselves in the workplace?
- Do you ensure that assignments and opportunities for advancement are accessible to everyone?
- What policies, practices, and ways of thinking have differential impact on different groups?
- What organizational changes should be made to meet the needs of a diverse workforce?

Source: University of California, San Francisco, “Managing Diversity in the Workplace,” chap. 12 in *Guide to Managing Human Resources*, accessed July 11, 2011, ucsfhr.ucsf.edu/index.php/pubs/hrguidearticle/chapter-12-managing-diversity-in-the-workplace/#684.

? Human Resource Recall

Why is multiculturalism important in the workplace? What is your role, as an employee in your organization, to ensure a diverse workforce?

How Would You Handle This?

Refer a Friend

Your manager is very concerned about the cost of hiring the three new people you need. As a result, she doesn't want to post the advertisement in a variety of places; she thinks it's best to just use a "refer a friend" recruitment strategy. When she moves forward with this strategy, ten people turn in résumés. Upon looking further, it appears all applicants went to the same private religious college and graduated around the same time. You are concerned that this method of recruitment lacks diversity. How would you handle this with your manager?

Key Takeaways

- Oftentimes there are cultural aspects to an organization that make it resistant to an inclusive environment. These are often not obvious, but it is important to be aware of how your own company culture impacts multiculturalism.
 - One way to begin the discussion within your organization is to create diversity action plans, for which the entire company is responsible and for which HR is the change agent. In addition to companywide initiatives, HR can also look within its own HR plans to see where it may be able to change.
 - In recruitment, awareness of how and where you post announcements is crucial.
 - Testing should be fair and unbiased and shouldn't negatively impact someone based on race, national origin, gender, social class, or educational level.
 - There are many reasons for differences in pay. Development of a set pay scale can alleviate some of the issues surrounding unfair pay, especially between men and women.
 - Formal mentorship programs can create multicultural understanding and can ensure people do not stick with their own race or gender when helping someone move up the ranks in an organization.

Exercises

1. What are some things we can do, personally, to be more multiculturally efficient?
2. What are the advantages of having a set pay scale? What are the disadvantages?

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3.4: Multiculturalism and the Law

Learning Objectives

1. Define the role of the Equal Employment Opportunity Commission (EEOC).
2. Explain the various types of laws covered by the EEOC.

As we already know, it is in an organization's best interest to hire and promote a multicultural and diverse workforce. However, workplace discrimination still occurs. Because of this, the federal government has established an agency to enforce federal employment discrimination laws and to provide employees with a place to file complaints if they believe discrimination has occurred.

The Equal Employment Opportunity Commission (EEOC) is the federal agency responsible for enforcing laws that prohibit employment discrimination. The EEOC enforces federal protections related to race, color, religion, sex (including pregnancy, sexual orientation, and gender identity), national origin, age (40 or older), disability, genetic information, and retaliation for reporting discrimination.

These protections apply to many employers, including most private employers. In general:

- Employers with 15 or more employees are covered for most discrimination laws.
- Employers with 20 or more employees are covered for age discrimination under the ADEA.

The EEOC covers discrimination not only in hiring, but also in many employment situations, such as:

- firing or layoffs
- promotions
- harassment
- training
- pay, wages, and benefits
- retaliation for filing a complaint

What the EEOC Does

The EEOC has the authority to receive and investigate charges of discrimination. The agency may attempt to resolve the issue through mediation or settlement. If the EEOC cannot resolve the complaint and determines a violation may have occurred, it may pursue enforcement actions, including filing lawsuits in certain cases.

The EEOC is headquartered in Washington, DC, and maintains offices across the United States to support employees and employers.

Discrimination concerns remain common in the workplace. According to the EEOC's most recent enforcement statistics, the agency received 81,055 discrimination charges in Fiscal Year 2023, representing a 10% increase from FY 2022.

This is important for HR because even well-intentioned organizations may face complaints if hiring, promotion, pay practices, or workplace culture produce unequal outcomes.

EEO-1 Reporting

Many organizations are also required to report workforce demographic information. One of the most well-known reporting tools is the EEO-1 Component 1 report, which collects data about employees by:

- job category
- sex
- race/ethnicity

In general, the following employers must file an EEO-1 report:

- Private employers with 100 or more employees
- Federal contractors with 50 or more employees (when certain criteria apply)

These reports help the federal government monitor workforce trends and support enforcement of equal employment opportunity laws.

Employer Responsibilities

In addition to complying with EEOC laws, organizations should maintain strong documentation and communication practices. Employers should:

- post required EEO notices so employees know their rights
- keep accurate records related to hiring, promotion, and pay decisions
- maintain documentation that could be needed during an EEOC investigation or legal review

Reminder: Diversity Is More Than Compliance

While legal compliance is essential, diversity efforts should not exist “only” to avoid lawsuits or meet reporting requirements. A diverse workforce improves decision-making, strengthens innovation, and helps organizations better serve customers and communities. The goal of inclusive HR practices is to create a workplace where qualified employees have equal access to opportunity.

Requirements for Employers

- Post federal and state EEO notices
- File EEO-1 reports (when required)
- Maintain hiring, selection, promotion, and pay records

Process for an EEOC Investigation

1. A charge is filed with the EEOC.
2. The employer is notified of the charge.
3. Mediation may be offered to resolve the issue.
4. If mediation is not successful (or not used), the EEOC may investigate.
5. The EEOC may determine whether there is evidence of a violation and may seek resolution or pursue enforcement.

(Note: exact steps and timelines vary by case.)

EEOC Federal Legislation

While the EEOC is the larger governing body, many pieces of legislation relating to multicultural practices are part of the EEOC family of laws. Many of these laws began with Title VII of the Civil Rights Act in 1964. This act, enforced by the EEOC, covers several areas in which discrimination was rampant. However, a bona fide occupational qualification (BFOQ) is a quality or attribute employers are allowed to consider when making decisions during the selection process. Examples of BFOQs are a maximum age limit for airline pilots for safety reasons and a Christian college’s requirement that the president of the college be Christian.

EEOC laws relate specifically to the following and are discussed in detail in Chapter 4 “Recruitment” and Chapter 5 “Selection”:

1. Age
2. Disability
3. Equal pay
4. Genetic information
5. National origin
6. Pregnancy
7. Race/color
8. Religion
9. Retaliation
10. Sex
11. Sexual harassment

Age

Age discrimination involves treating someone less favorably because of their age. The Age Discrimination in Employment Act (ADEA), enforced by the EEOC, protects individuals who are age 40 or older from discrimination in employment decisions.

This law applies to many areas of employment, including hiring, firing, pay, job assignments, promotions, layoffs, training, benefits, and other terms and conditions of employment.

The ADEA also prohibits harassment based on age. While simple teasing or offhand comments may not rise to the level of illegal harassment, repeated or serious offensive remarks could create a hostile work environment.

Disability

The Americans with Disabilities Act (ADA) prohibits discrimination against qualified individuals with disabilities and is enforced by the EEOC. Disability discrimination occurs when a qualified employee or applicant is treated unfavorably because of a disability.

Employers are generally required to provide reasonable accommodations to applicants and employees with disabilities, unless doing so would create an undue hardship for the organization. A reasonable accommodation may include changes to the work environment or to how work is normally done so a person can have equal access to employment opportunities.

Examples of accommodations may include:

- making facilities accessible
- modifying equipment
- providing assistive technology
- adjusting work schedules
- allowing remote work when appropriate

The ADA does not require hiring an unqualified person. Individuals must still be able to perform the essential job functions, with or without reasonable accommodations.

Equal Pay/Compensation

Equal pay laws focus on preventing pay differences that are not based on legitimate job-related factors. The Equal Pay Act (EPA) requires that employees be paid equally for substantially equal work, based on job content—not job titles.

Compensation includes more than wages or salary and may include overtime, bonuses, stock options, profit-sharing, and benefits.

Employees may file equal pay claims through the EEOC or may be able to pursue certain claims directly in court depending on the situation and applicable laws.

Genetic Information

The Genetic Information Nondiscrimination Act (GINA) makes it illegal for employers to discriminate based on genetic information. This includes information such as family medical history and genetic test results.

Employers are generally prohibited from requesting, requiring, or purchasing genetic information. However, limited exceptions may apply, such as:

- information unintentionally overheard in casual conversation
- information obtained through voluntary wellness programs
- information requested for specific legally permitted reasons (such as certain FMLA documentation)

Genetic information must be kept confidential and stored separately from regular personnel records.

National Origin

National origin discrimination involves treating someone unfavorably because they come from a particular country or region, because of their ethnicity, accent, or because they appear to be from a certain background—even if they are not.

Employers can require English fluency only when it is necessary for safe or effective job performance. “English-only” workplace rules may be legal in some limited circumstances, but they must be job-related, narrowly applied, and not used to target certain groups.

Pregnancy

Pregnancy discrimination is prohibited under the Pregnancy Discrimination Act (PDA), which is part of Title VII. Employers may not treat employees unfavorably because of pregnancy, childbirth, or related medical conditions.

Pregnant Workers Fairness Act (PWFA)

A major update in this area is the Pregnant Workers Fairness Act (PWFA). The PWFA went into effect June 27, 2023, and it requires covered employers to provide reasonable accommodations for pregnancy, childbirth, or related medical conditions unless it creates an undue hardship.

Examples of reasonable accommodations may include:

- additional restroom breaks
- drinking water at workstations
- temporary schedule changes
- light duty or lifting restrictions
- the ability to sit or rest as needed

Family and Medical Leave Act (FMLA)

In addition to pregnancy discrimination protections, the Family and Medical Leave Act (FMLA) is enforced by the U.S. Department of Labor and provides eligible employees up to 12 weeks of unpaid, job-protected leave for qualifying family or medical reasons. (FMLA requirements include employer size and employee eligibility rules.)

Race/Color

This type of discrimination refers to treating someone unfavorably because he or she is of a certain race or because of certain characteristics associated with race. These characteristics might include hair texture, skin color, or facial features. Discrimination can occur when the person discriminating is the same race or color of the person who is being discriminated against. EEOC law also protects people who are married to or associated with someone of a certain race or color. As with the other types of antidiscrimination laws we have discussed, this law refers not only to the initial hiring but also to firing, pay, job assignments, promotions, layoffs, training, and fringe benefits.

Religion

Religious discrimination involves treating an employee unfavorably because of their religious beliefs or practices. Employers must provide reasonable accommodations for religious practices unless doing so would create an undue hardship.

New “Undue Hardship” Standard (Groff v. DeJoy)

In *Groff v. DeJoy* (2023), the U.S. Supreme Court clarified that employers must show a substantial burden to establish undue hardship. This is a higher standard than the older “more than a de minimis cost” interpretation.

Religious accommodation may include flexible scheduling, dress accommodations, or grooming accommodations, unless it creates a substantial operational burden.

This law also covers accommodations in dress and grooming, such as a headscarf, religious dress, or uncut hair and a beard in the case of a Sikh. Ideally, the employee or applicant would notify the employer that he or she needs such an accommodation for religious reasons, and then a discussion of the request would occur. If it wouldn’t pose hardship, the employer should honor the request. If the request might cause a safety issue, decrease efficiency, or infringe on the rights of other employees, it may not be honored.

Sex and Sexual Harassment

Sex discrimination includes treating someone unfavorably because of sex, including discrimination related to pregnancy and other sex-based stereotypes. The law applies to hiring, firing, pay, job assignments, promotions, layoffs, training, and benefits.

Sexual Orientation & Gender Identity

Under Title VII, discrimination because of sex includes discrimination based on sexual orientation and gender identity, following the U.S. Supreme Court decision in *Bostock v. Clayton County* (2020).

Sexual Harassment

Sexual harassment is a form of sex discrimination and includes:

- unwelcome sexual advances
- requests for sexual favors
- verbal, visual, or physical harassment of a sexual nature

Sexual harassment protections apply regardless of the sex of the victim or harasser (including same-sex harassment). Harassment may come from supervisors, coworkers, or even non-employees (such as customers), depending on the situation.

Harassment at Yale?



This 2011 video outlines a sexual harassment lawsuit at Yale University. The video shows that the lawsuit blamed Yale not for the harassment but for not taking a harder stand on this type of harassment.

Retaliation

Retaliation occurs when an employer punishes an employee for engaging in a protected activity such as:

- filing a discrimination complaint
- participating in an EEOC investigation
- reporting harassment
- requesting a reasonable accommodation

Retaliation is one of the most common issues raised in workplace discrimination cases. In all the laws mentioned, the EEOC set of laws makes it illegal to fire, demote, harass, or retaliate against people because they filed a charge of discrimination, complained about discrimination, or participated in employment discrimination proceedings.

Perhaps one of the most high-profile sexual harassment and retaliation cases was that of *Sanders v. Thomas*. Isiah Thomas, then coach of the New York Knicks, fired Anucha Browne Sanders because she hired an attorney to file sexual harassment claims charges. The jury awarded Browne Sanders \$11.6 million in punitive damages because of the hostile work environment Thomas created and another \$5.6 million because Browne Sanders was fired for complaining (Schmidt, 2007). A portion of the lawsuit was to be paid by Madison Square Garden and James Dolan, chairman of Cablevision, the parent company of Madison Square Garden and the Knicks. Browne Sanders's lawyers successfully argued that the inner workings of Madison Square Garden were hostile and

lewd, and that the former marketing executive of the organization subjected her to hostility and sexual advances. Thomas left the organization as coach and president in 2008. As in this case, there are large financial and public relations penalties not only for sexual harassment but for retaliation after a harassment suit has been filed.

All types of discrimination and laws affecting multiculturalism are a key aspect for HR managers and managers to understand. These types of discrimination are discussed in Chapter 4 “Recruitment”, specifically, how they pertain to recruiting and hiring.

Military Service

The Uniformed Services Employment and Reemployment Rights Act (USERR) protects people who serve or have served in the armed forces, Reserves, National Guard, or other uniformed services. The act ensures these individuals are not disadvantaged in their civilian careers because of their service. It also requires they be reemployed in their civilian jobs upon return to service and prohibits discrimination based on past, present, or future military service.

? Human Resource Recall



Figure 3.4.1: An accommodation for religion, such as allowing turbans, would be considered a reasonable accommodation in work dress. Vít Hassan – Turban – CC BY-NC 2.0.

What types of discrimination (under the EEOC) do you think are the most common and why? Have you ever experienced discrimination in the workplace, at school, or in extracurricular activities? Explain.

Key Takeaways

- The Equal Employment Opportunity Commission (EEOC) is the federal agency responsible for enforcing major federal employment discrimination laws and protecting employees and applicants from unlawful workplace discrimination.
- The EEOC protects against discrimination in many parts of employment, including hiring, firing, pay, promotion, training, harassment, and retaliation.
- Age discrimination is illegal under the Age Discrimination in Employment Act (ADEA). This law protects workers who are age 40 or older from unfair treatment based on age.
- Employers cannot discriminate against qualified individuals with disabilities under the Americans with Disabilities Act (ADA) and must provide reasonable accommodations (such as accessible workspaces, assistive technology, adjusted schedules, or modified work methods) unless doing so creates an undue hardship.
- National origin discrimination is illegal and includes unfair treatment based on country of origin, ethnicity, ancestry, or accent. English-only rules may only be used when they are job-related and necessary for business operations or safety.
- Pregnancy discrimination is illegal under the Pregnancy Discrimination Act (PDA), and employers must treat pregnancy-related limitations similarly to other temporary medical conditions. In addition, the Pregnant Workers Fairness Act (PWFA) requires

many employers to provide reasonable accommodations for pregnancy, childbirth, and related medical conditions.

- The EEOC protects employees from discrimination based on race and color, including bias related to physical traits such as skin tone, hair texture, or features associated with race.
- Religious discrimination is illegal, and employers must provide reasonable accommodations for sincerely held religious beliefs and practices (such as scheduling adjustments or dress/grooming accommodations) unless it creates an undue hardship.
- Sex discrimination is illegal under Title VII and includes discrimination related to pregnancy and sex-based stereotypes. Title VII protections also include discrimination based on sexual orientation and gender identity.
- Sexual harassment is a form of unlawful discrimination. Employers are responsible for addressing harassment and ensuring employees can work in a safe and respectful environment, regardless of the sex of the victim or harasser.
- Retaliation is illegal. Employers may not punish employees for reporting discrimination, filing an EEOC complaint, participating in an investigation, requesting an accommodation, or otherwise exercising their rights.
- The U.S. Department of Labor enforces laws that impact workplace rights, including the Family and Medical Leave Act (FMLA), which provides eligible employees of covered employers up to 12 weeks of unpaid, job-protected leave for qualifying family and medical reasons such as birth, adoption, or caring for a seriously ill family member.

Exercises

1. Visit the EEOC website at <http://www.eeoc.gov> and explain the methods an employee can use in filing a complaint with the EEOC.
2. If an employer is found to have discriminated, what are some “remedies” listed on the EEOC website?

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CHAPTER OVERVIEW

4: International HR Management

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[4.2: Offshoring, Outsourcing](#)

[4.3: Staffing Internationally](#)

[4.4: International HRM Considerations](#)

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4.1: Introduction

Things Weren't What They Seemed

When your organization decided to go “global” two years ago, the executives didn’t know what they were getting into. While the international market was attractive for your company’s product, the overall plan wasn’t executed well. The organization was having great success selling its baby bath product in the domestic market, and once that market was saturated, the organization decided to sell the product in South America. Millions of dollars’ worth of research went into product marketing, and great success was had selling the product internationally. It was only when the organization decided to develop a sales presence in Peru and purchase a company there that the problems started. While market research had been done on the product itself, the executives of the company did little research to find out the cultural, economic, and legal aspects of doing business in that country. It was assumed that the Peru office would run just like the US office in terms of benefits, compensation, and hiring practices. This is where the strategy went wrong.

Many cultural aspects presented themselves. When executives visited the Peru office, the meeting was scheduled for 9 a.m., and executives were annoyed that the meeting didn’t actually start until 9:45 a.m. When the annoyed executives started in on business immediately, the Peruvian executives disapproved, but the US executives thought they disapproved of the ideas and weren’t aware that the disapproval came from the fact that Peruvians place a high emphasis on relationships, and it was rude to get down to business right away. When the executives walked around the office and spoke with various employees, this blunder cost respect from the Peruvian executives. Because Peru has a hierarchical structure, it was considered inappropriate for the executives to engage employees in this way; they should have been speaking with management instead.

Besides the cultural misunderstandings, executives had grossly underestimated the cost of compensation in Peru. Peru requires that all employees receive a bonus on the Peruvian Independence Day and another on Christmas. The bonus is similar to the monthly salary. After a year of service, Peruvians are allowed to go on paid vacation for thirty calendar days. Higher benefit costs were also an issue as well, since Peru requires workers to contribute 22 percent of their income to pension plans, and the company is required to pay 9 percent of salaries toward social (universal) health insurance. Life insurance is also required to be paid by the employer after four years of service, and severance payments are compulsory if the organization has a work stoppage or slowdown.

As you wade through the variety of rules and regulations, you think that this could have been avoided if research had been performed before the buyout happened. If this had occurred, your company would have known the actual costs to operate overseas and could have planned better.

Source: Based on information from *CIA World Factbook* and PKF Business Advisors.

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4.2: Offshoring, Outsourcing

Learning Objectives

1. Be able to explain the terminology related to international HRM.
2. Define global HRM strategies.
3. Explain the impact of culture on HRM practices.

As you already know, this chapter is all about strategic human resource management (HRM) in a global environment. If this is an area of HRM that interests you, consider taking the WorldatWork Global Remuneration Professional certification (GRP). The GRP consists of eight examinations ranging from global rewards strategy to job analysis in a global setting (WorldatWork Society of Certified Professionals, 2010).

Before we begin to discuss HRM in a global environment, it is important to define a few terms, some of which you may already know. First, offshoring is when a business relocates or moves some or part of its operations to another country. Outsourcing involves contracting with another company (onshore or offshore) to perform some business-related task. For example, a company may decide to outsource its accounting operations to a company that specializes in accounting, rather than have an in-house department perform this function. Thus a company can outsource the accounting department, and if the function operates in another country, this would also be offshoring. The focus of this chapter will be on the HRM function when work is offshored.

The Global Environment

Although the terms *international*, *global*, *multinational*, and *transnational* tend to be used interchangeably, there are distinct differences. First, a **domestic** market is one in which a product or service is sold only within the borders of that country. An **international** market is one in which a company may find that it has saturated the domestic market for the product, so it seeks out international markets in which to sell its product. Since international markets use their existing resources to expand, they do not respond to local markets as well as a global organization. A **global** organization is one in which a product is being sold globally, and the organization looks at the world as its market. The local responsiveness is high with a global organization. A **multinational** is a company that produces and sells products in other markets, unlike an international market in which products are produced domestically and then sold overseas. A **transnational** company is a complex organization with a corporate office, but the difference is that much of the decision making, research and development, and marketing are left up to the individual foreign market. The advantage to a transnational is the ability to respond locally to market demands and needs. The challenge in this type of organization is the ability to integrate the international offices. Coca-Cola, for example, engaged first in the domestic market, sold products in an international market, and then became multinational. The organization then realized they could obtain certain production and market efficiencies in transitioning to a transnational company, taking advantage of the local market knowledge.

Table 4.2.1 Differences between International, Global, Multinational, and Transnational Companies

Global	Transnational
Centrally controlled operations	Foreign offices have control over production, markets
No need for home office integration, since home office makes all decisions	Integration with home office
Views the world as its market	High local responsiveness
Low market responsiveness, since it is centrally controlled	
International	Multinational
Centrally controlled	Foreign offices are viewed as subsidiaries
No need for home office integration, as home office makes all decisions	Home office still has much control
Uses existing production to sell products overseas	High local responsiveness
Low market responsiveness	

Globalization has had far-reaching effects in business but also in strategic HRM planning. The signing of trade agreements, growth of new markets such as China, education, economics, and legal implications all impact international business.

Trade agreements have made trade easier for companies. A **trade agreement** is an agreement between two or more countries to reduce barriers to trade. For example, the European Union consists of twenty-seven countries (currently, with five additional countries as applicants) with the goal of eliminating trade barriers. The North American Trade Agreement (NAFTA) lifts barriers to trade between Canada, the United States, and Mexico. The result of these trade agreements and many others is that doing business overseas is a necessity for organizations. It can result in less expensive production and more potential customers. Because of this, along with the strategic planning aspects of a global operation, human resources needs to be strategic as well. Part of this strategic process can include staffing differences, compensation differences, differences in employment law, and necessary training to prepare the workforce for a global perspective. Through the use of trade agreements and growth of new markets, such as the Chinese market, there are more places available to sell products, which means companies must be strategically positioned to sell the right product in the right market. High performance in these markets requires human capital that is able to make these types of decisions.

The level of education in the countries in which business operates is very important to the HR manager. Before a business decides to expand into a particular country, knowledge of the education, skills, and abilities of workers in that country can mean a successful venture or an unsuccessful one if the human capital needs are not met. Much of a country's human capital depends on the importance of education to that particular country. In Denmark, for example, college educations are free and therefore result in a high percentage of well-educated people. In Somalia, with a GDP of \$600 per person per year, the focus is not on education but on basic needs and survival.

Economics heavily influences HRM. Because there is economic incentive to work harder in capitalist societies, individuals may be more motivated than in communist societies. The motivation comes from workers knowing that if they work hard for something, it cannot be taken away by the government, through direct seizure or through higher taxes. Since costs of labor are one of the most important strategic considerations, understanding of compensation systems (often based on economics of the country) is an important topic.

The legal system practiced in a country has a great effect on the types of compensation; union issues; how people are hired, fired, and laid off; and safety issues. Rules on discrimination, for example, are set by the country. In China, for example, it is acceptable to ask someone their age, marital status, and other questions that would be considered illegal in the United States. In another legal example, in Costa Rica, "aguinaldos" also known as a thirteenth month salary, is required in December (SafeGuard Global, n.d.). This is a legal requirement for all companies operating in Costa Rica.

Table 4.2.2 Top 50 Global Companies

Rank	Company Name	Headquarters	Industry	Market Value (B=Billions)
1	JPMorganChase	United States	Banking	\$677.8 B
2	Berkshire Hathaway	United States	Insurance	\$1,145.46 B
3	ICBC	China	Banking	\$251.33 B
4	Saudi Arabian Oil Company (Saudi Aramco)	Saudi Arabia	Oil & Gas Operations	\$1,663.38 B
5	Amazon	United States	Retail and Wholesale	\$2,005.64 B
6	Bank of America	United States	Banking	\$300.06 B
7	China Construction Bank	China	Banking	\$219.81 B
8	Agricultural Bank of China	China	Banking	\$212.51 B
9	Alphabet	United States	IT Software & Services	\$1,973.64 B
10	Microsoft	United States	IT Software & Services	\$2,913.01 B
11	Apple	United States	Technology Hardware & Equipment	\$3,143.82 B
12	Bank of China	China	Banking	\$164.71 B
13	ExxonMobil	United States	Oil & Gas Operations	\$469.6 B
14	Toyota Motor	Japan	Consumer Durables	\$244.39 B
15	HSBC Holdings	United Kingdom	Banking	\$196.16 B
16	Wells Fargo	United States	Banking	\$227.44 B
17	UnitedHealth Group	United States	Insurance	\$382.94 B
18	Walmart	United States	Retailing	\$762.32 B
19	Samsung Electronics	South Korea	Technology Hardware & Equipment	\$259.77 B
20	Goldman Sachs Group	United States	Diversified Financials	\$169.34 B
21	Meta Platforms	United States	IT Software & Services	\$1,381.87 B
22	Citigroup	United States	Banking	\$127.81 B
23	Shell Plc	United Kingdom	Oil & Gas Operations	\$195.55 B
24	Morgan Stanley	United States	Banking and Financial Services	\$187.11 B
25	Allianz	Germany	Insurance	\$157.55 B
26	RBC	Canada	Banking	\$166.38 B
27	Ping An Insurance	China	Insurance	\$107.27 B

Source: Adapted from [Forbes' 2025 Global 2000 List - The World's Largest Companies Ranked](#) (accessed January 16, 2026).

Rank	Company Name	Headquarters	Industry	Market Value (B=Billions)
	Group			
28	PetroChina	China	Oil & Gas Operations	\$136.38 B
29	Santander	Spain	Banking	\$110.41 B
30	Chevron	United States	Oil & Gas Operations	\$242.32 B
31	Verizon Communications	United States	Telecommunications Services	\$176.86 B
32	China Mobile	Hong Kong	Telecommunications Services	\$223.47 B
33	Alibaba Group	China	Retailing	\$285.47 B
34	Mitsubishi Financial	UFJ Japan	Banking	\$139.79 B
35	AT&T	United States	Telecommunications Services	\$192.45 B
36	BNP Paribas	France	Banking	\$93.5 B
37	Tencent Holdings	China	IT Software & Services	\$562.27 B
38	Taiwan Semiconductor	Taiwan	Semiconductors	\$708.2 B
39	China Merchants Bank	China	Banking	\$143.87 B
40	Deutsche Telekom	Germany	Telecommunications Services	\$173.71 B
41	TotalEnergies	France	Oil & Gas Operations	\$125.83 B
42	Johnson & Johnson	United States	Drugs & Biotechnology	\$372.51 B
43	Comcast	United States	Media	\$128.18 B
44	AXA Group	France	Insurance	\$116.84 B
45	Reliance Industries	India	Oil & Gas Operations	\$205.91 B
46	TD Bank Group	Canada	Banking	\$108.88 B
47	NVIDIA	United States	Semiconductors	\$2,708.64 B
48	Nestlé	Switzerland	Food, Drink & Tobacco	\$265.65 B
49	LVMH Louis Vuitton Moët Hennessy	France	Household & Personal Products	\$283.06 B
50	American Express	United States	Business Services & Supplies	\$185.52 B

Source: Adapted from [Forbes' 2025 Global 2000 List - The World's Largest Companies Ranked](#) (accessed January 16, 2026).



Howard Wallack, director of Global Member programs for the Society for Human Resource Management (SHRM), talks about some of the global HR trends and gives tips on how to deal with these trends from the HR perspective.

HRM Global Strategies

When discussing HRM from the global perspective, there are many considerations. Culture, language, management styles, and laws would all be considerations before implementing HRM strategies. (Beechler et al., 2004) argued that for multinational companies, identifying the best HRM processes for the entire organization isn't the goal, but rather finding the best fit between the firm's external environment (i.e., the law) and the company's overall strategy, HRM policies, and implementation of those policies. To this end, Adler and Bartholomew developed a set of transnational competencies that are required for business to thrive in a global business environment (Adler & Bartholomew, 1992). A **transnational scope** means that HRM decisions can be made based on an international scope; that is, HRM strategic decisions can be made from the global perspective rather than a domestic one. With this HRM strategy, decisions take into consideration the needs of all employees in all countries in which the company operates. The concern is the ability to establish standards that are fair for all employees, regardless of which country they operate in. A **transnational representation** means that the composition of the firm's managers and executives should be a multinational one. A **transnational process**, then, refers to the extent to which ideas that contribute to the organization come from a variety of perspectives and ideas from all countries in which the organization operates. Ideally, all company processes will be based on the transnational approach. This approach means that multicultural understanding is taken into consideration, and rather than trying to get international employees to fit within the scope of the domestic market, a more holistic approach to HRM is used. Using a transnational approach means that HRM policies and practices are a crucial part of a successful business, because they can act as mechanisms for coordination and control for the international operations (Pudelko & Harzing, 2007). In other words, HRM can be the glue that sticks many independent operations together.

Before we look at HRM strategy on the global level, let's discuss some of the considerations before implementing HRM systems.

Culture as a Major Aspect of HRM Overseas

Culture is a key component to managing HRM on a global scale. Understanding culture but also appreciating cultural differences can help the HRM strategy be successful in any country. Geert Hofstede, a researcher in the area of culture, developed a list of five cultural dimensions that can help define how cultures are different (Hofstede, n.d.).

The first dimension of culture is **individualism**. In this dimension, Hofstede describes the degree to which individuals are integrated into groups. For example, in the United States, we are an individualist society; that is, a person looks after themselves and their immediate family. There is more focus on individual accomplishments as opposed to group accomplishments. In a collective society, societies are based on cohesive groups, whether it be family groups or work groups. As a result, the focus is on the good of the group, rather than the individual.



Figure 4.2.1: One of the factors of culture is nonverbal language, such as the use of handshakes, kissing, or bowing. [Wikimedia](#) – CC BY 2.0.

Power distance, Hofstede's second dimension, refers to the extent to which the less powerful members of organizations accept that power is not distributed equally. For example, some societies may seek to eliminate differences in power and wealth, while others prefer a higher power distance. From an HRM perspective, these differences may become clear when employees are asked to work in cross-functional teams. A Danish manager may have no problem taking advice from employees because of the low power distance of his culture, but a Saudi Arabian manager may have issues with an informal relationship with employees, because of the high power distance.

Uncertainty avoidance refers to how a society tolerates uncertainty. Countries that focus more on avoidance tend to minimize the uncertainty and therefore have stricter laws, rules, and other safety measures. Countries that are more tolerant of uncertainty tend to be more easygoing and relaxed. Consider the situation in which a company in the United States decides to apply the same HRM strategy to its operations in Peru. The United States has an uncertainty avoidance score of 46, which means the society is more comfortable with uncertainty. Peru has a high uncertainty avoidance, with a score of 87, indicating the society's low level of tolerance for uncertainty. Let's suppose a major part of the pay structure is bonuses. Would it make sense to implement this same compensation plan in international operations? Probably not.

Motivation toward achievement and success (MAS) describes the extent to which a culture emphasizes competition, individual accomplishment, ambition, and measurable performance versus values such as cooperation, work-life balance, relationship-building, and overall quality of life. In cultures with higher MAS scores, success is often defined by visible results—such as earning promotions, meeting sales goals, outperforming competitors, gaining status, or being recognized for top performance. In these workplaces, employees may expect clear performance rankings, pay-for-performance systems, and leadership styles that are direct and goal-driven. In cultures with lower MAS scores, success is more likely to be defined through teamwork, fairness, supportive leadership, and employee well-being. These workplaces may prioritize collaboration, consensus-building, mentoring, and practices that support long-term employee satisfaction and retention.

The last dimension is **long-term orientation**, which refers to the society's time horizons. A long-term orientation would focus on future rewards for work now, persistence, and ordering of relationships by status. A short-term orientation may focus on values related to the past and present such as national pride or fulfillment of current obligations. We can see HRM dimensions with this orientation in succession planning, for example. In China the person getting promoted might be the person who has been with the company the longest, whereas in short-term orientation countries like the United States, promotion is usually based on merit. An American working for a Chinese company may get upset to see someone promoted who doesn't do as good of a job, just because they have been there longer, and vice versa.

Based on Hofstede's dimensions, you can see the importance of culture to development of an international HRM strategy. To utilize a transnational strategy, all these components should be factored into all decisions such as hiring, compensation, and training. Since culture is a key component in HRM, it is important now to define some other elements of culture.

Table 4.2.3 Hofstede national culture dimension scores (country comparison datasets)

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Power Distance

Individualism

Motivation toward Achievement & Success (MAS)

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Power distance: Comfort level with unequal power and authority in society and organizations. A lower score suggests more expectation of equality and shared decision-making

Individualism: The degree to which people focus on personal independence and individual goals versus group loyalty and collective responsibility.

Motivation toward Achievement & Success (MAS): The extent to which a culture values competition, achievement, and performance versus cooperation, quality of life, and relationship-building.

Uncertainty avoidance: The tolerance for uncertainty and ambiguity. Higher scores often mean stronger preference for rules, predictability, and structure.

Long-term orientation (LTO): Focus on long-term planning, persistence, and adapting over time versus short-term tradition, stability, and immediate results

e d K i n g d o m			
U n i t e d S t a t e s	91	62	29
J a p a n	46	95	98
T a i w a n	17	45	99
Z a m b i a	27	41	30

Power distance: Comfort level with unequal power and authority in society and organizations. A lower score suggests more expectation of equality and shared decision-making

Individualism: The degree to which people focus on personal independence and individual goals versus group loyalty and collective responsibility.

Motivation toward Achievement & Success (MAS): The extent to which a culture values competition, achievement, and performance versus cooperation, quality of life, and relationship-building.

Uncertainty avoidance: The tolerance for uncertainty and ambiguity. Higher scores often mean stronger preference for rules, predictability, and structure.

Long-term orientation (LTO): Focus on long-term planning, persistence, and adapting over time versus short-term tradition, stability, and immediate results

I n d i a	48	56	30
C h i n a	20	66	80
P h i l i p p i n e s	32	64	44
C h i l e	23	28	86
Power distance: Comfort level with unequal power and authority in society and organizations. A lower score suggests more expectation of equality and shared decision-making			
Individualism: The degree to which people focus on personal independence and individual goals versus group loyalty and collective responsibility.			
Motivation toward Achievement & Success (MAS): The extent to which a culture values competition, achievement, and performance versus cooperation, quality of life, and relationship-building.			
Uncertainty avoidance: The tolerance for uncertainty and ambiguity. Higher scores often mean stronger preference for rules, predictability, and structure.			
Long-term orientation (LTO): Focus on long-term planning, persistence, and adapting over time versus short-term tradition, stability, and immediate results			

Culture refers to the socially accepted ways of life within a society. Some of these components might include language, **norms**, **values**, **rituals**, and **material culture** such as art, music, and tools used in that culture. Language is perhaps one of the most obvious parts of culture. Often language can define a culture and of course is necessary to be able to do business. HRM considerations for language might include something as simple as what language (the home country or host country) will documents be sent in? Is there a standard language the company should use within its communications?

Fortune 500 Focus

For anyone who has traveled, seeing a McDonald's overseas is common, owing to the need to expand markets. McDonald's is perhaps one of the best examples of using cultural sensitivity in setting up its operations despite criticism for aggressive globalization. Since food is usually a large part of culture, McDonald's knew that when globalizing, it had to take culture into

consideration to be successful. For example, when McDonald's decided to enter the Indian market in 2009, it knew it needed a vegetarian product. After several hundred versions, local McDonald's executives finally decided on the McSpicy Paneer as the main menu item. The spicy Paneer is made from curd cheese and reflects the values and norms of the culture (Lubin, 2011).

In Japan, McDonald's developed the Teriyaki Burger and started selling green tea ice cream. When McDonald's first started competing in Japan, there really was no competition at all, but not for the reason you might think. Japanese people looked at McDonald's as a snack rather than a meal because of their cultural values. Japanese people believe that meals should be shared, which can be difficult with McDonald's food. Second, the meal did not consist of rice, and a real Japanese meal includes rice—a part of the national identity (Ohnuki-Tierney, 1997) and values. Most recently, McDonald's introduced the McBaguette in France to align with French cultural values (Rappanport, 2011). The McBaguettes will be produced in France and come with a variety of jams, a traditional French breakfast. Just like in product development, HRM must understand the differences between cultures to create the best HRM systems that work for the individual culture.

Norms are shared expectations about what is considered correct and normal behavior. Norms allow a society to predict the expected behavior and be able to act in this manner. For many companies operating in the United States, a norm might be to dress down for work, no suit required. But if doing business overseas, that country's norm might be to wear a suit. Not understanding the norms of a culture can offend potential clients, customers, and colleagues.

Values, another part of culture, classify things as good or bad within a society. Values can evoke strong emotional feelings from a person or a society. For example, burning of the American flag results in strong emotions because values (love of country and the symbols that represent it) are a key component of how people view themselves, and how a culture views society. In April 2011, a pastor in Florida burned a holy book, the Koran, which sparked outrage from the Muslim community all over the world. This is an example of a strongly held value that when challenged can result in community rage (Drury, 2011).

Rituals are scripted ways of interacting that usually result in a specific series of events. Consider a wedding in the United States, for example. The basic wedding rituals (first dance, cutting of cake, speech from best man and bridesmaid) are practiced throughout society. Besides the more formalized rituals within a society, such as weddings or funerals, daily rituals, such as asking someone "How are you?" (when you really don't want to know the answer) are part of culture, too. Even bonding rituals such as how business cards are exchanged and the amount of eye contact given in a social situation can all be rituals as well.

The material items a culture holds important, such as artwork, technology, and architecture, can be considered material culture. Material culture can range from symbolic items, such as a crucifix, or everyday items, such as a Crockpot or juicer. Understanding the material importance of certain items to a country can result in a better understanding of culture overall.

Key Takeaways

- *Offshoring* is when a business relocates or moves part of its operations to a country different from the one it currently operates in.
- *Outsourcing* is when a company contracts with another company to do some work for another. This can occur domestically or in an offshoring situation.
- *Domestic* market means that a product is sold only within the country that the business operates in.
- An *international* market means that an organization is selling products in other countries, while a *multinational* one means that not only are products being sold in a country, but operations are set up and run in a country other than where the business began.
- The goal of any HRM strategy is to be transnational, which consists of three components. First, the *transnational scope* involves the ability to make decisions on a global level rather than a domestic one. *Transnational representation* means that managers from all countries in which the business operates are involved in business decisions. Finally, a *transnational process* means that the organization can involve a variety of perspectives, rather than only a domestic one.
- Part of understanding HRM internationally is to understand culture. Hofstede developed five dimensions of culture. First, there is the *individualism-collectivism* aspect, which refers to the tendency of a country to focus on individuals versus the good of the group.
- The second Hofstede dimension is *power distance*, that is, how willing people are to accept unequal distributions of power.
- The third is *uncertainty avoidance*, which means how willing the culture is to accept not knowing future outcomes.
- A *masculine-feminine* dimension refers to the acceptance of traditional male and female characteristics.
- Finally, Hofstede focused on a country's *long-term orientation* versus *short-term orientation* in decision making.

- Other aspects of culture include norms, values, rituals, and material culture. *Norms* are the generally accepted way of doing things, and values are those things the culture finds important. Every country has its own set of *rituals* for ceremonies but also for everyday interactions. *Material culture* refers to the material goods, such as art, the culture finds important.
- Other HRM aspects to consider when entering a foreign market are the economics, the law, and the level of education and skill level of the human capital in that country.

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4.3: Staffing Internationally

Learning Objectives

1. Be able to explain the three staffing strategies for international businesses and the advantages and disadvantages for each.
2. Explain the reasons for expatriate failures.

One of the major decisions for HRM when a company decides to operate overseas is how the overseas operation will be staffed. This is the focus of this section.

Types of Staffing Strategy

There are three main staffing strategies a company can implement when entering an overseas market, with each having its advantages and disadvantages. The first strategy is a **home-country national strategy**. This staffing strategy uses employees from the home country to live and work in the country. These individuals are called **expatriates**. The second staffing strategy is a **host-country national strategy**, which means to employ people who were born in the country in which the business is operating. Finally, a third-country national strategy means to employee people from an entirely different country from the home country and host country. Table 4.3.1 lists advantages and disadvantages of each type of staffing strategy. Whichever strategy is chosen, communication with the home office and strategic alignment with overseas operations need to occur for a successful venture.

Table 4.3.1 Advantages and Disadvantages of the Three Staffing Strategies

	Home-Country National	Host-Country National	Third-Country National
Advantages	Greater control of organization	Language barrier is eliminated	The third-country national may be better equipped to bring the international perspective to the business
	Managers gain experience in local markets	Possible better understanding of local rules and laws	
	Possible greater understanding and implementation of business strategy	Hiring costs such as visas are eliminated	Costs associated with hiring such as visas may be less expensive than with home-country nationals
	Cultural understanding		
	Morale builder for employees of host country		
Disadvantages	Adapting to foreign environment may be difficult for manager and family, and result in less productivity	Host-country manager may not understand business objectives as well without proper training	Must consider traditional national hostilities
	Expatriate may not have cultural sensitivity	May create a perception of “us” versus “them”	The host government and/or local business may resent hiring a third-country national
	Language barriers		Can affect motivation of local workers
	Cost of visa and hiring factors		

Human Resource Recall

Compare and contrast a home-country versus a host-country staffing strategy.

Expatriates

According to Simcha Ronen, a researcher on international assignments, there are five categories that determine expatriate success. They include job factors, relational dimensions, motivational state, family situation, and language skills. The likelihood the assignment will be a success depends on the attributes listed in Table 4.3.2. As a result, the appropriate selection process and training can prevent some of these failings. Family stress, cultural inflexibility, emotional immaturity, too much responsibility, and longer work hours (which draw the expatriate away from family, who could also be experiencing culture shock) are some of the reasons cited for expatriate failure.

Table 4.3.2 Categories of Expatriate Success Predictors with Examples

Job Factors	Relational Dimensions	Motivational State	Family Situation	Language Skills
Technical skills	Tolerance for ambiguity	Belief in the mission	Willingness of spouse to live abroad	Host-country language
Familiarity with host country and headquarters operations	Behavioral flexibility	Congruence with career path	Adaptive and supportive spouse	Nonverbal communication
Managerial skills	Nonjudgmentalism	Interest in overseas experience	Stable marriage	
Administrative competence	Cultural empathy and low ethnocentrism	Interest in specific host-country culture		
	Interpersonal skills	Willingness to acquire new patterns of behavior and attitudes		

Source: Adapted from Simcha Ronen, *Training the International Assignee* (San Francisco: Jossey-Bass, 1989), 426–40.

Most expatriates go through four phases of adjustment when they move overseas for an assignment. They include **elation/honeymoon**, **resistance**, **adaption**, and **biculturalism**. In the elation phase, the employee is excited about the new surroundings and finds the culture exotic and stimulating. In the resistance phase, the employee may start to make frequent comparisons between home and host country and may seek out reminders of home. Frustration may occur because of everyday living, such as language and cultural differences. During the adaptation phase, the employee gains language skills and starts to adjust to life overseas. Sometimes during this phase, expatriates may even tend to reject their own culture. In this phase, the expatriate is embracing life overseas. In the last phase, biculturalism, the expatriate embraces the new culture and begins to appreciate his old life at home equally as much as his new life overseas. Many of the problems associated with expatriate failures, such as family life and cultural stress, have diminished.

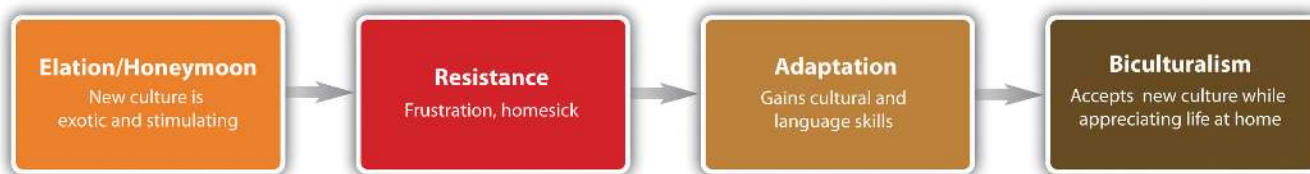


Figure 4.3.1: Phases of Expatriate Adjustment. (CC-BY-NC-SA This work)



A short discussion on why international assignments fail.

Host-Country National

The advantage, as shown in Table 4.3.1 of hiring a host-country national can be an important consideration when designing the staffing strategy. First, it is less costly in both moving expenses and training to hire a local person. Some of the less obvious expenses, however, may be the fact that a host-country national may be more productive from the start, as he or she does not have many of the cultural challenges associated with an overseas assignment. The host-country national already knows the culture and laws, for example. In Russia, 42 percent of respondents in an expatriate survey said that companies operating there are starting to replace expatriates with local specialists. In fact, many of the respondents want the Russian government to limit the number of expatriates working for a company to 10 percent¹. When globalization first occurred, it was more likely that expatriates would be sent to host countries, but in 2011, many global companies are comfortable that the skills, knowledge, and abilities of managers exist in the countries in which they operate, making the hiring of a host-country national a favorable choice. Also important are the connections the host-country nationals may have. For example, Shiv Argawal, CEO of ABC Consultants in India, says, “An Indian CEO helps influence policy and regulations in the host country, and this is the factor that would make a global company consider hiring local talent as opposed to foreign talent” (Rajagopal, 2011).

Third-Country Nationals

One of the best examples of third-country nationals is the US military. The US military has more than seventy thousand third-country nationals working for the military in places such as Iraq and Afghanistan. For example, a recruitment firm hired by the US military called Meridian Services Agency recruits hairstylists, construction workers, and electricians from all over the world to fill positions on military bases (Stillman, 2011). Most companies who utilize third-country national labor are not new to multinational businesses. The majority of companies who use third-country national staffing have many operations already overseas. One example is a multinational company based in the United States that also has operations in Spain and transfers a Spanish manager to set up new operations in Argentina. This would be opposed to the company in the United States sending an American (expatriate) manager to Argentina. In this case, the third-country national approach might be the better approach because of the language aspect (both Spain and Argentina speak Spanish), which can create fewer costs in the long run. In fact, many American companies are seeing the value in hiring third-country nationals for overseas assignments. In an *International Assignments Survey*², 61 percent of United States-based companies surveyed increased the use of third-country nationals by 61 percent, and of that number, 35 percent have increased the use of third-country nationals to 50 percent of their workforce. The main reason why companies use third-country nationals as a staffing strategy is the ability of a candidate to represent the company’s interests and transfer corporate technology and competencies. Sometimes the best person to do this isn’t based in the United States or in the host country.

Key Takeaways

- There are three types of staffing strategies for an international business. First, in the *home-country national strategy*, people are employed from the home country to live and work in the country. These individuals are called *expatriates*. One advantage of this type of strategy is easier application of business objectives, although an expatriate may not be culturally versed or well accepted by the host-country employees.
- In a *host-country strategy*, workers are employed within that country to manage the operations of the business. Visas and language barriers are advantages of this type of hiring strategy.
- A *third-country national staffing strategy* means someone from a country, different from home or host country, will be employed to work overseas. There can be visa advantages to using this staffing strategy, although a disadvantage might be morale lost by host-country employees.

Exercises

1. Choose a country you would enjoy working in, and visit that country's embassy page. Discuss the requirements to obtain a work visa in that country.
2. How would you personally prepare an expatriate for an international assignment? Perform additional research if necessary and outline a plan.

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4.4: International HRM Considerations

Learning Objectives

1. Be able to explain how the selection process for an expatriate differs from a domestic process.
2. Explain possible expatriate training topics and the importance of each.
3. Identify the performance review and legal differences for international assignments.
4. Explain the logistical considerations for expatriate assignments.

In an international environment, as long as proper research is performed, most HRM concepts can be applied. The important thing to consider is proper research and understanding of cultural, economic, and legal differences between countries. This section will provide an overview of some specific considerations for an international business, keeping in mind that with awareness, any HRM concept can be applied to the international environment. In addition, it is important to mention again that host-country offices should be in constant communication with home-country offices to ensure policies and practices are aligned with the organization.

Recruitment and Selection

Understanding which staffing strategy to use is the first aspect of hiring the right person for the overseas assignment. The ideal candidate for an overseas assignment normally has the following characteristics:

1. Managerial competence: technical skills, leadership skills, knowledge specific to the company operations.
2. Training: The candidate either has or is willing to be trained on the language and culture of the host country.
3. Adaptability: The ability to deal with new, uncomfortable, or unfamiliar situations and the ability to adjust to the culture in which the candidate will be assigned.

As we discussed earlier, when selecting an expatriate or a third-country national for the job, assuring that the candidate has the job factors, relational dimensions, motivational state, family situation, and language skills (or can learn) is a key consideration in hiring the right person. Some of the costs associated with failure of an expatriate or third-country national might include the following:

1. Damage to host-country relationships
2. Motivation of host-country staff
3. Costs associated with recruitment and relocation
4. Possible loss of that employee once he or she returns
5. Missed opportunities to further develop the market

Because success on an overseas assignment has such complex factors, the selection process for this individual should be different from the selection process when hiring domestically. The process should start with the job analysis. The job analysis and job description should be different for the overseas assignment, since we know that certain competencies (besides technical ones) are important for success. Most of those competencies have little to do with the person's ability to do the job but are related to his or her ability to do the job in a new cultural setting. These additional competencies (besides the skills needed for the job) may be considered:

1. Experience working internationally
2. Extroverted
3. Stress tolerance
4. Language skills
5. Cultural experiences

Once the key success factors are determined, many of which can be based on previous overseas assignments successes, we can begin to develop a pool of internal candidates who possess the additional competencies needed for a successful overseas assignment.

To develop the pool, career development questions on the performance review can be asked to determine the employee's interest in an overseas assignment. Interest is an important factor; otherwise, the chance of success is low. If there is interest, this person can be recorded as a possible applicant. An easy way to keep track of interested people is to keep a spreadsheet of interested parties,

skills, languages spoken, cultural experiences, abilities, and how the candidates meet the competencies you have already developed.

Once an overseas assignment is open, you can view the pool of interested parties and choose the ones to interview who meet the competencies required for the particular assignment.

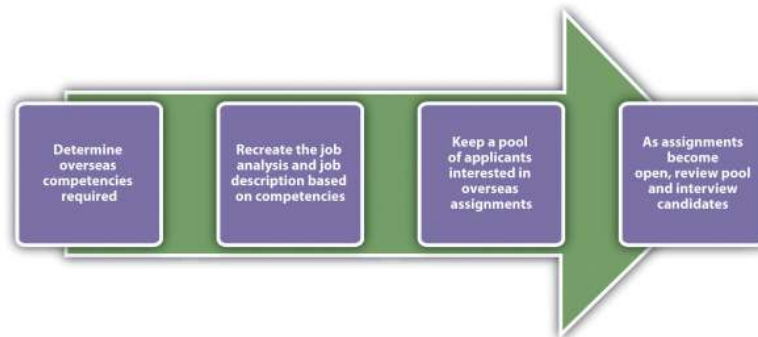


Figure 4.4.1: Sample Selection Process for Overseas Assignments. (CC-BY-NC-SA This work)

Training

Much of the training may include cultural components, which were cited by 73 percent of successful expatriates as key ingredients to success (The Economist Intelligence Unit, 2010).

Training isn't always easy, though. The goal is not to help someone learn a language or cultural traditions but to ensure they are immersed in the sociocultural aspects of the new culture they are living in. Roger N. Blakeney (Blakeney, 2006), an international business researcher, identifies two main pathways to adapting to a new culture. First, people adjust quickly from the psychological perspective but not the social one. Blakeney argues that adjusting solely from the psychological perspective does not make an effective expatriate. Although it may take more time to adjust, he says that to be fully immersed and to fully understand and be productive in a culture, the expatriate must also have sociocultural adaption. In other words, someone who can adjust from a sociocultural perspective ends up performing better because he or she has a deeper level of understanding of the culture. Determining whether your candidate can gain this deeper level would figure in your selection process.

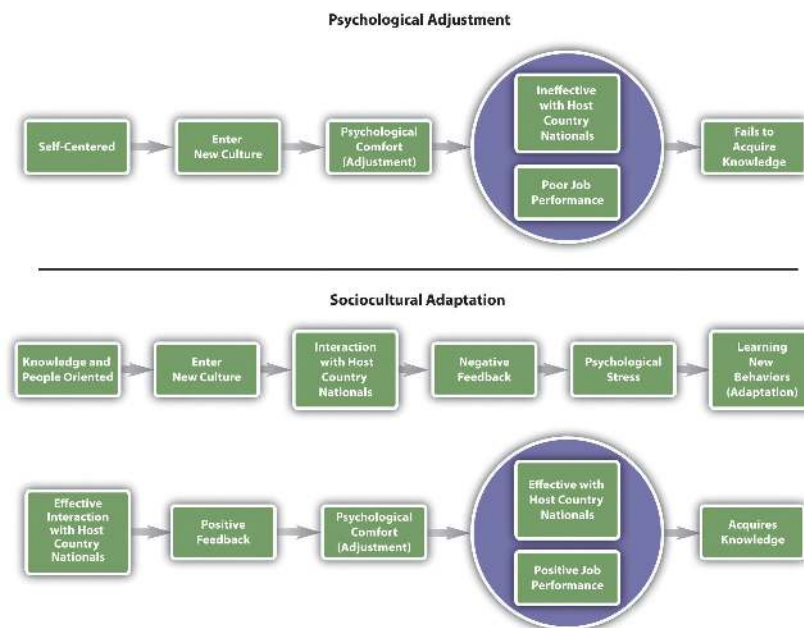


Figure 4.4.2: Blakeney's Model of Psychological versus Sociocultural Adaption Source: Roger Blakeney, "Psychological Adjustment and Sociocultural Adaptation: Coping on International Assignments" (paper, Annual Meeting of Academy of Management, Atlanta, GA, 2006).

One of the key decisions in any global organization is whether training should be performed in-house or an outside company should be hired to provide the training. For example, Communicaid offers online and on-site training on a variety of topics listed. Whether in-house or external training is performed, there are five main components of training someone for an overseas assignment:

1. Language
2. Culture
3. Goal setting
4. Managing family and stress
5. Repatriation

Training on languages is a basic yet necessary factor to the success of the assignment. Although to many, English is the international business language, we shouldn't discount the ability to speak the language of the country in which one is living. Consider Japan's largest online retailer, Rakuten, Inc. It mandated that English will be the standard language by March 2012 (Thregold, 2010). Other employers, such as Nissan and Sony, have made similar mandates or have already implemented an English-only policy. Despite this, a large percentage of your employee's time will be spent outside work, where mastery of the language is important to enjoy living in another country. In addition, being able to discuss and negotiate in the mother tongue of the country can give your employee greater advantages when working on an overseas assignment. Part of language, as we discussed in Chapter 9, isn't only about what you say but also includes all the nonverbal aspects of language. Consider the following examples:

- In the United States, we place our palm upward and use one finger to call someone over. In Malaysia, this is only used for calling animals. In much of Europe, calling someone over is done with palm down, making a scratching motion with the fingers (as opposed to one finger in the United States). In Columbia, soft handclaps are used.
- In many business situations in the United States, it is common to cross your legs, pointing the soles of your shoes to someone. In Southeast Asia, this is an insult since the feet are the dirtiest and lowest part of the body.
- Spatial differences are an aspect of nonverbal language as well. In the United States, we tend to stand thirty-six inches (an arm length) from people, but in Chile, for example, the space is much smaller.
- Proper greetings of business colleagues differ from country to country.
- The amount of eye contact varies. For example, in the United States, it is normal to make constant eye contact with the person you are speaking with, but in Japan it would be rude to make constant eye contact with someone with more age or seniority.

The goal of cultural training is to train employees what the "norms" are in a particular culture. Many of these norms come from history, past experience, and values. Cultural training can include any of the following topics:

1. Etiquette
2. Management styles
3. History
4. Religion
5. The arts
6. Food
7. Geography
8. Logistics aspects, such as transportation and currency
9. Politics

Cultural training is important. Although cultural implications are not often discussed openly, not understanding the culture can harm the success of a manager when on overseas assignment. For example, when Revlon expanded its business into Brazil, one of the first products it marketed was a Camellia flower scented perfume. What the expatriate managers didn't realize is that the Camellia flower is used for funerals, so of course, the product failed in that country (Roy, 1998). Cultural implications, such as management style, are not always so obvious. Consider the US manager who went to Mexico to manage a production line. He applied the same management style that worked well in America, asking a lot of questions and opinions of employees. When employees started to quit, he found out later that employees expect managers to be the authority figure, and when the manager asked questions, they assumed he didn't know what he was doing.

Training on the goals and expectations for the expatriate worker is important. Since most individuals take an overseas assignment to boost their careers, having clear expectations and understanding of what they are expected to accomplish sets the expatriate up for success.

Cultural Differences

Because moving to a new place, especially a new country, is stressful, it is important to train the employee on managing stress, homesickness, culture shock, and likely a larger workload than the employee may have had at home. Some stress results from insecurity and homesickness. It is important to note that much of this stress occurs on the family as well. The expatriate may be performing and adjusting well, but if the family isn't, this can cause greater stress on the employee, resulting in a failed assignment. The success of overseas employees depends greatly on their ability to adjust, and training employees on the stages of adjustment they will feel may help ease this problem.

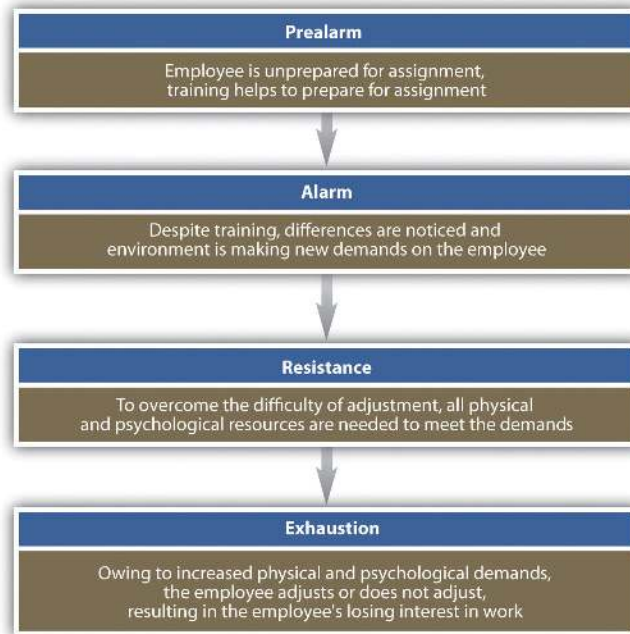


Figure 4.4.3: General Adaptation Syndrome to Explain Expatriate Stress Source: Bala Koteswari and Mousumi Bhattacharya, "Managing Expatriate Stress," *Delhi Business Review* 8, no. 1 (2007): 89–98.

Spouses and children of the employee may also experience much of the stress the expatriate feels. Children's attendance at new schools and lack of social networks, as well as possible sacrifice of a spouse's career goal, can negatively impact the assignment. Many companies offer training not only for the employee but for the entire family when engaging in an overseas assignment. For example, global technology and manufacturing company Honeywell offers employees and their families a two-day cultural orientation on the region they will be living in (Klaff, 2002). Some of the reasons for lack of adjustment by family members might include the following:

1. Language issues
2. Social issues
3. Schooling
4. Housing
5. Medical services

The ability of the organization to meet these family needs makes for a more successful assignment. For example, development of an overseas network to provide social outlets, activities, schooling and housing options, assignment of mentors to the spouse, and other methods can help ease the transition.

Finally, **repatriation** is the process of helping employees make the transition to their home country. Many employees experience **reverse culture shock** upon returning home, which is a psychological phenomenon that can lead to feelings of fear, helplessness,

irritability, and disorientation. All these factors can cause employees to leave the organization soon after returning from an assignment, and to take their knowledge with them. One problem with repatriation is that the expatriate and family have assumed things stayed the same at home, while in fact friends may have moved, friends changed, or new managers may have been hired along with new employees. Although the manager may be on the same level as other managers when he or she returns, the manager may have less informal authority and clout than managers who have been working in the particular office for a period of time. An effective repatriation program can cost \$3,500 to \$10,000 per family, but the investment is worth it given the critical skills the managers will have gained and can share with the organization. In fact, many expatriates fill leadership positions within organizations, leveraging the skills they gained overseas. One such example is FedEx president and CEO David Bronczek and executive vice president Michael Drucker. Tom Mullady, the manager of international compensation planning at FedEx, makes the case for a good repatriation program when he says, “As we become more and more global, it shows that experience overseas is leveraged back home” (Klaff, 2002).

Repatriation planning should happen before the employee leaves on assignment and should be a continuous process throughout the assignment and upon return. The process can include the following:

- Training and counseling on overseas assignment before leaving
- Clear understanding of goals before leaving, so the expatriate can have a clear sense as to what new skills and knowledge he or she will bring back home
- Job guarantee upon return (Deloitte and Touche, for example, discusses which job each of the two hundred expats will take after returning, before the person leaves, and offers a written letter of commitment (Klaff, 2002).)
- Assigning the expatriate a mentor, ideally a former expatriate
- Keeping communication from home open, such as company newsletters and announcements
- Free return trips home to stay in touch with friends and family
- Counseling (at Honeywell, employees and families go through a repatriation program within six months of returning (Klaff, 2002).)
- Sponsoring brown bag lunches where the expatriate can discuss what he or she learned while overseas
- Trying to place expatriates in positions where they can conduct business with employees and clients from where they lived

It is also important to note that offering an employee an international assignment can help develop that person’s understanding of the business, management style, and other business-related development. Working overseas can be a crucial component to succession planning. It can also be a morale booster for other employees, who see that the chosen expatriate is further able to develop his or her career within the organization.

While the focus of this section has been on expatriate assignments, the same information on training is true for third-country nationals.

If it is decided that host-country nationals will be hired, different training considerations might occur. For example, will they spend some time at your domestic corporate headquarters to learn the business, then apply what they learned when they go home? Or, does it make more sense to send a domestic manager overseas to train the host-country manager and staff? Training will obviously vary based on the type of business and the country, and it may make sense to gain input from host-country managers as opposed to developing training on your own. As we have already discussed in this chapter, an understanding of the cultural components is the first step to developing training that can be utilized in any country.

Compensation and Rewards

There are a few options when choosing compensation for a global business. The first option is to maintain companywide pay scales and policies, so for example, all sales staff are paid the same no matter what country they are in. This can reduce inequalities and simplify recording keeping, but it does not address some key issues. First, this compensation policy does not address that it can be much more expensive to live in one place versus another. A salesperson working in Japan has much higher living expenses than a salesperson working in Peru, for example. As a result, the majority of organizations thus choose to use a pay banding system based on regions, such as South America, Europe, and North America. This is called a **localized compensation strategy**. Microsoft and Kraft Foods both use this approach. This method provides the best balance of cost-of-living considerations.

However, regional pay banding is not necessarily the ideal solution if the goal is to motivate expatriates to move. For example, if the employee has been asked to move from Japan to Peru and the salary is different, by half, for example, there is little motivation for that employee to want to take an assignment in Peru, thus limiting the potential benefits of mobility for employees and for the company.

One possible option is to pay a similar base salary companywide or regionwide and offer expatriates an allowance based on specific market conditions in each country (Carland, 1993). This is called the **balance sheet approach**. With this compensation approach, the idea is that the expatriate should have the same standard of living that he or she would have had at home. Four groups of expenses are looked at in this approach:

1. Income taxes
2. Housing
3. Goods and services
4. Base salary
5. Overseas premium

The HR professional would estimate these expenses within the home country and costs for the same items in the host country. The employer then pays differences. In addition, the base salary will normally be in the same range as the home-country salary, and an **overseas premium** might be paid owing to the challenge of an overseas assignment. An overseas premium is an additional bonus for agreeing to take an overseas assignment. There are many companies specializing in cost-of-living data, such as Mercer Reports. It provides cost-of-living information at a cost of \$600 per year. Table 4.4.1 shows a hypothetical example of how the balance sheet approach would work.

Table 4.4.1 The Balance Sheet Approach to Compensation

	Chicago, IL	Tokyo	Allowance
Tax rate	30%	35%	5% or \$288/month
Housing	\$1250	\$1800	\$550
Base salary	\$5400	\$5,750	\$350
Overseas premium		15%	\$810
Total allowance			\$1998
Total salary and allowance	\$5400		\$7748

Other compensation issues, which will vary greatly from country to country, might include the following:

1. **The cost of benefits in another country.** Many countries offer universal health care (offset by higher taxes), and therefore the employee would have health benefits covered while working and paying taxes in that country. Canada, Finland, and Japan are examples of countries that have this type of coverage. In countries such as Singapore, all residents receive a catastrophic policy from the government, but they need to purchase additional insurance for routine care (Countries with Universal Healthcare, 2011). A number of organizations offer health care for expatriates relocating to another country in which health care is not already provided.
2. **Legally mandated (or culturally accepted) amount of vacation days.** For example, in Australia twenty paid vacation days are required, ten in Canada, thirty in Finland, and five in the Philippines. The average number of US worker vacation days is fifteen, although the number of days is not federally mandated by the government, as with the other examples (Sahadi, 2007).
3. **Legal requirements of profit sharing.** For example, in France, the government heavily regulates profit sharing programs (Wilke, et. al., 2007).
4. **Pay system that works with the country culture, such as pay systems based on seniority.** For example, Chinese culture focuses heavily on seniority, and pay scales should be developed according to seniority. In the figure below, examples of hourly compensation for manufacturing workers are compared.
5. **Thirteenth month (bonus) structures and expected (sometimes mandated) annual lump-sum payments.** Compensation issues are a major consideration in motivating overseas employees. A systematic system should be in place to ensure fairness in

compensation for all expatriates.

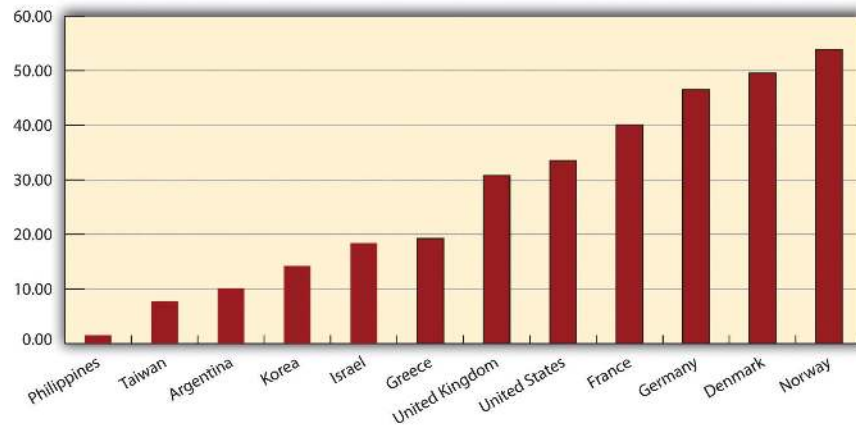


Figure 4.4.4: Hourly World Compensation Comparisons for Manufacturing Jobs. Source: Bureau of Labor Statistics, Division of International Labor Comparisons, International Comparisons of Hourly Compensation costs in Manufacturing, 2009, www.bls.gov/news.release/ichcc.toc.htm (accessed September 16, 2011).

Performance Evaluations

The challenge in overseas performance evaluations is determining who should rate the performance of the expatriate. While it might make sense to have the host-country employees and managers rate the expatriate, cultural differences may make this process ineffective. Cultural challenges may make the host country rate the expatriate more harshly, or in some cases, such as Indonesia, harmony is more important than productivity, so it may be likely an Indonesia employee or manager rates the expatriate higher, to keep harmony in the workplace (Whitfield, 2011).

If the home-country manager rates the performance of the expatriate, he or she may not have a clear indication of the performance, since the manager and expatriate do not work together on a day-to-day basis. A study performed by Gregersen, Hite, and Black suggests that a balanced set of raters from host and home countries and more frequent appraisals relate positively to the accuracy of performance evaluations (Gregersen, et. al., 1996). They also suggest that the use of a standardized form relates negatively to perceived accuracy. Carrie Shearer, an international HR expert, concurs by stating that the standardized form, if used, should also include special aspects for the expatriate manager, such as how well the expatriate fits in with the culture and adaptation ability (Shearer, 2004).

Besides determining who should rate the expatriate's performance, the HR professional should determine the criteria for evaluating the expatriate. Since it is likely the expatriate's job will be different overseas, the previous criteria used may not be helpful in the evaluation process. The criteria used to rate the performance should be determined ahead of time, before the expatriate leaves on assignment. This is part of the training process we discussed earlier. Having a clear picture of the rating criteria for an overseas assignment makes it both useful for the development of the employee and for the organization as a tool. A performance appraisal also offers a good opportunity for the organization to obtain feedback about how well the assignment is going and to determine whether enough support is being provided to the expatriate.

The International Labor Environment

As we have already alluded to in this chapter, understanding of laws and how they relate to host-country employees and expatriates can vary from country to country. Because of this, individual research on laws in the specific countries is necessary to ensure adherence:

1. Worker safety laws
2. Worker compensation laws
3. Safety requirements
4. Working age restrictions
5. Maternity/paternity leaves
6. Unionization laws

7. Vacation time requirements
8. Average work week hours
9. Privacy laws
10. Disability laws
11. Multiculturalism and diverse workplace, antidiscrimination law
12. Taxation

As you can tell from this list, the considerable HRM factors when doing business overseas should be thoroughly researched.

One important factor worth mentioning here is labor unions. Labor unions have declined in membership in the United States. Collective bargaining is the process of developing an employment contract between a union and management within an organization. The process of collective bargaining can range from little government involvement to extreme government involvement as in France, for example, where some of the labor unions are closely tied with political parties in the country.

Some countries, such as Germany, engage in **codetermination**, mandated by the government. Codetermination is the practice of company shareholders' and employees' being represented in equal numbers on the boards of organizations, for organizations with five hundred or more employees. The advantage of this system is the sharing of power throughout all levels of the organization; however, some critics feel it is not the place of government to tell companies how their corporation should be run. The goal of such a mandate is to reduce labor conflict issues and increase bargaining power of workers.

Taxation of expatriates is an important aspect of international HRM. Of course, taxes are different in every country, and it is up to the HR professional to know how taxes will affect the compensation of the expatriate. The United States has income tax treaties with forty-two countries, meaning taxing authorities of treaty countries can share information (such as income and foreign taxes paid) on residents living in other countries. US citizens must file a tax return, even if they have not lived in the United States during the tax year. US taxpayers claim over \$90 billion in foreign tax credits on a yearly basis (Internal Revenue Service, 2011). **Foreign tax credits** allow expatriates working abroad to claim taxes paid overseas on their US tax forms, reducing or eliminating double taxation. Many organizations with expatriate workers choose to enlist the help of tax accountants for their workers to ensure workers are paying the correct amount of taxes both abroad and in the United States.

Table 4.4.2: Examples of HRM-Related Law Differences between the United States and China

	United States	China*
Employment Contracts	Most states have at-will employment	Contract employment system. All employees must have a written contract
Layoffs	No severance required	Company must be on verge of bankruptcy before it can lay off employees
	Two years of service required to pay severance; more than five years of experience requires a long service payment	
Termination	Employment at will	Employees can only be terminated for cause, and cause must be clearly proved. They must be given 30 days' notice, except in the case of extreme circumstances, like theft
Overtime	None required for salaried employees	Employees who work more than 40 hours must be paid overtime
Salary	Up to individual company	A 13-month bonus is customary, but not required, right before the Chinese New Year
Vacation	No governmental requirement	Mandated by government:
		First year: no vacation
		Year 2–9: 5 days
		Years 10–19: 10 days
		20 years or more: 15 days
Paid Holidays	None required by law	3 total. Chinese New Year, International Labor Day, and National Day. However, workers must “make up” the days by working a day on the previous weekend
Social Security	Required by law for employer and employee to pay into social security	Greater percentages are paid by employer: 22% of salary paid by employer, 8% paid by employee
Discrimination Laws	Per EEOC, cannot discriminate based on race, sex, age, genetic information, or other protected groups	Laws are in place but not enforced
Maternity Leave	Family and Medical Leave Act allows 12 weeks	90 days' maternity leave
*In China, all employees are covered by the Labor Contract Law.		

Source: Harris and Moure, pllc, “China Employment Contracts, Ten Things to Consider,” *China Law Blog*, (Accessed August 13, 2011) and Cindy Zhang, “Employment Law in China,” June 21, 2011 (accessed August 13, 2011).

Logistics of International Assignments

As you learned earlier, providing training for the expatriate is an important part of a successful assignment. However, many of the day-to-day aspects of living are important, too.

One of the most important logistical aspects is to make sure the employee can legally work in the country where you will be sending him or her, and ensuring his or her family has appropriate documentation as well. A **visa** is permission from the host country to visit, live, or work in that country. Obtaining visas is normally the job of an HR professional. For example, the US

Department of State and the majority of countries require that all US citizens have a valid passport to travel to a foreign country. This is the first step to ensuring your host-country national or third-country national can travel and work in that country.

Next, understanding the different types of visas is a component to this process. For example, the United States offers a **Visa Waiver Program (VWP)** that allows some nationals of thirty-six participating countries to travel to the United States for stays of less than ninety days. Iceland, Singapore, and France are examples of countries that participate in this program. For most host-national assignments, however, this type of visa may not be long enough, which then requires research of the individual country. It is important to mention that most countries have several types of visas, such as the following:

1. Visas for crew members working on ships or airlines
2. Tourist visas
3. Student visas
4. Employment visas for long-term employment at a foreign company
5. Business visas

The visa process and time line can vary greatly depending on the country for which the visa is required. For example, obtaining a visa to work in China may take six months or longer. The best place to research this topic is on the country's embassy website.

Besides ensuring the expatriate can legally work in the country, other considerations are worth mentioning as well:

1. **Housing.** Where will I live is one of the most important questions that an expatriate may ask. The HR professional can help this process by outsourcing a leasing or rental company in the city where the expatriate will live to find a rental that meets the expectations of the expatriate. Choosing a place to live ahead of time can reduce stress (one of the causes of failure for assignments) for the expatriate and his or her family. Allowances may be made for housing costs, as discussed in the compensation section.
2. **Moving belongings.** Determination of how belongings left behind will be stored at home or if those items will be brought to the host country is another logistical consideration. If items will be brought, beyond what can be carried in a suitcase, the HR professional may want to consider hiring a moving logistics company that specializes in expatriate moves to help with this process.
3. **The possibility of return trips home.** As part of the initial discussion, the option of offering return trips home can make repatriation and performance reviews with home-country managers easier. This also gives the expatriate and his or her family the opportunity to visit with family and friends, reducing reverse culture shock upon return.
4. **Schooling.** Some organizations may want to provide information on the schooling system to the expatriate, if he or she has children. Schools begin at different times of the year, and this information can make the registration process for school easier on the family.
5. **Spousal job.** We know already from earlier in this chapter that one of the biggest challenges facing expatriates (and reasons for failure) is unhappiness of the spouse. He or she may have had a career at home and given that up while the spouse takes an assignment. HR professionals might consider offering job search services as part of the allowance discussed earlier in this chapter. Lockheed Martin, for example, offers job search services to spouses moving overseas (Minehan, 2011).

In any situation, support from the HR professional will help make the assignment a success, which shows that HRM practices should be aligned with company goals.

How Would You Handle This?

Visa Blues

Your manager has just notified you that one of your marketing managers has taken an assignment in China to work for one year. You tell your manager you will begin the visa process for employment. She disagrees and tells you it will be quicker to just get a tourist visa. You mention this is illegal and could get the employee and company in trouble, but she insists on your getting a tourist visa so the employee can leave within the month. How would you handle this?

Key Takeaways

- Personality traits are a key component to determining whether someone is a good fit for an overseas assignment. Since 73 percent of overseas assignments fail, ensuring the right match up front is important.

- The ideal expatriate is able to deal with change, is flexible, and has the support of his or her family. Ideal expatriates are also organized, take risks, and are good at asking for help.
- The adjustment period an expatriate goes through depends on his or her initial preparation. Blakeney said there are two levels of adjustment: psychological adjustment and sociocultural adjustment. Although the psychological may take less time, it is the sociocultural adjustment that will allow the assignment to be successful.
- Training is a key component in the HRM global plan, whether expatriates or host-country nationals are to be hired. Both will require a different type of training. Training can reduce culture shock and stress.
- Consideration of the expatriate's family and their ability to adjust can make a more successful overseas assignment
- Compensation is another consideration of a global business. The *balance sheet approach* pays the expatriate extra allowances, such as living expenses, for taking an international assignment.
- Other considerations such as vacation days, health-care benefits, and profit-sharing programs are important as well.
- Laws of each country should be carefully evaluated from an HRM strategic perspective. Laws relating to disabilities, pregnancy, and safety, for example, should be understood before doing business overseas.
- Labor unions have different levels of involvement in different parts of the world. For example, Germany has *codetermination*, a policy that requires companies to have employees sit on various boards.
- The United States has treaties with forty-two countries to share information about expatriates. The United States offers *foreign tax credits* to help expatriates avoid double taxation. However, US citizens must file taxes every year, even if they have not lived in the United States during that year.
- Logistical help can be important to ensuring the success of an overseas assignment. Help with finding a place to live, finding a job for a spouse, and moving can make the difference between a successful assignment and an unsuccessful one.
- The *Visa Waiver Program (VWP)* is a program in which nationals of thirty-six countries can enter the United States for up to a ninety-day period. This type of visa may not work well for expatriates, so it is important to research the type of visa needed from a particular country by using that country's embassy website.

Exercise

1. Research the country of your choice. Discuss at least five of the aspects you should know as an HRM professional about doing business in that country.

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CHAPTER OVERVIEW

5: Successful Employee Communication

[5.1: Introduction](#)

[5.2: Communication Strategies](#)

[5.3: Management Styles](#)

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5.1: Introduction

The Biggest Challenge

Casey is seated at his desk reviewing his human resource strategic plan when Lily walks in, obviously upset. Her facial expressions show she is upset, and after she enters, she crosses her arms while standing in front of Casey's desk. Casey thinks Lily is a very hard worker and does an excellent job managing people as the manager of her marketing department. Lately, she has been having trouble with some of her employees.

"Casey," she says, "I really need to vent. Can I sit down and talk with you?" Casey offers Lily a seat and she sits down. She tells Casey that Sam, a marketing manager, made snide and underhanded comments during a meeting this morning. "For example, when I asked the status on one of our projects, Sam said snidely, 'Why don't you ask one of your marketing assistants? They are doing such a great job, after all.' I suspect he is upset with something I wrote on my blog last week. As you know, I started the blog to continually let employees know of changes in the department and to provide feedback. In last week's blog, I wrote about what a great job the marketing assistants are doing in my department."

Lily goes on, "So I pulled him aside after the meeting and asked him about his comment. He said that he was upset that I had given feedback to the marketing assistants because he feels that as their manager, it is his job to do that. He felt I had stepped on his toes and the toes of other marketing managers."

Casey thinks about the situation and asks Lily if she apologized. Lily responds, "I didn't feel like I needed to. I do think the marketing assistants are doing a good job, and I don't need to apologize for mentioning that. I am just trying to raise morale among them. You know, two marketing assistants have quit in the last three months."

Casey leans back in his chair and gives some thought as to how to advise Lily. He suggests that Lily speak with Sam directly (not via email) and tell him that her intention was only positive and not meant to be harmful, and see what happens. Lily thinks about that and says she will try to see Sam later today. When she leaves, Casey sits back and thinks about how communication is one of the biggest challenges in any job, but especially in human resources.

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5.2: Communication Strategies

Learning Objectives

1. Explain the concept of emotional intelligence.
2. Describe the four types of communication in the workplace.
3. Explain the various communication styles and identify your own style.
4. Define nonverbal communication and describe the importance of it in an HR setting.

Communication, as you see in our opening scenario, is key to a successful career as a human resource manager (HRM) or as a manager. While communication is likely discussed in several of your business classes, it should also be addressed in an HRM book, since much of what we do in HR is based on effective communication.

How many times do miscommunications happen on a daily basis, either in your personal life or at your job? The good news is that we can all get better at communication. The first thing we need to do is learn how we can communicate with our employees. Then we will want to look at our own communication style and compare that with other styles. Have you ever spoken with someone you just didn't "get"? It is probably because you have different communication styles. Body language is also a key contributor to communication; in fact, as was suggested in the late 1960s by researcher Albert Mehrabian, body language makes up 93 percent of our communication (Mehrabian & Ferris, 1967). Part of communication is also looking at the way we manage people. Depending on our style of management, we may use a variety of management styles to communicate things we need done or to give performance feedback. One major way companies communicate with employees is through the use of meetings. Some meetings can be very effective, but as you probably already know, many meetings aren't very productive. We will discuss some strategies to help you run a more effective meeting.

Communication and Emotional Intelligence (EI)

One of the most important aspects to good communication is emotional intelligence (EI). Emotional intelligence is different from IQ. First, EI predicts much of life success, much more than IQ, in fact (Goleman, 2005). According to Daniel Goleman, a researcher on EI, there are five main aspects or domains to EI:

1. Knowing your emotions
2. Managing your emotions
3. Motivating yourself
4. Recognizing and understanding other people's emotions
5. Managing relationships

First, let's discuss knowing your emotions. If we don't know how we feel about something, it can be difficult to communicate. It may seem obvious to know what we are feeling from moment to moment, but oftentimes we do not. How we feel impacts our body language as well as our verbal communication. For example, let's say you just got home from work and had a really crummy day. When you get home, you find that your spouse has not unloaded the dishwasher yet, as you had agreed. Tie this with a crummy day, and you might communicate differently about it than if you had a great day.

On the other hand, if you recognize that you are tired and a bit cranky, your awareness of these emotions allows you to manage them. The third aspect of EI, motivating yourself, goes without saying in a management or human resource role. This is the key not only to career success but also to personal success.

The last two domains of EI revolve around being able to see and understand emotions in other people, which in turn can benefit the relationship. Let's say, in the situation above, you get home and the dishwasher isn't unloaded, but you recognize immediately through body language and facial expressions that your spouse is extremely upset by something. Seeing this emotion in someone else may help you decide if you should mention the dishwasher—or not—at this specific time. But what if you didn't recognize this emotion and raised your voice to your spouse about the unloaded dishwasher? It will probably result in an argument. Using this example, I am sure you can see how this translates into the workplace. Emotional intelligence allows us to work better with people, understand them, and communicate with them.

? Human Resource Recall

Do you think you are a good communicator? What could you improve?

Communication Directions

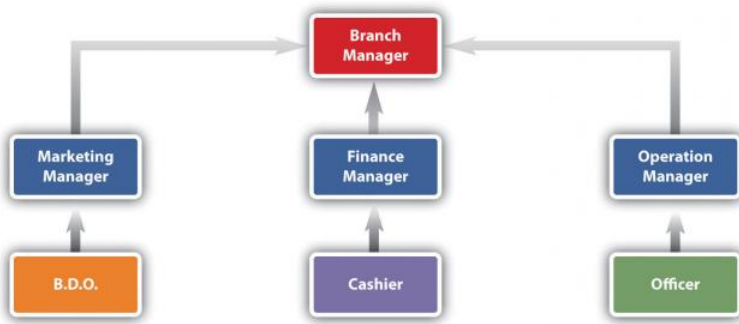
As you already know, communication in companies is key to having a successful organization. Those companies who communicate well with their employees end up with more loyal and motivated workers. Those that don't communicate well, though, see increased turnover, absenteeism, dissatisfied customers, higher product defect rates, lack of focus on business objectives, and lack of innovation¹. Proper communication can result in a sense of belonging and self-worth, leading to less turnover and absenteeism, which is mentioned in the opening scenario. These issues are also discussed in Chapter 7 "Retention and Motivation". In [Section 9.1.3 "Communication Styles"](#), we discuss some of the ways we can stay connected with our employees.

Four main types of communications occur within a company: upward communication, downward communication, diagonal communication, and horizontal communication. Each type of communication can serve a different purpose in human resources, and many messages may be sent in a variety of ways.

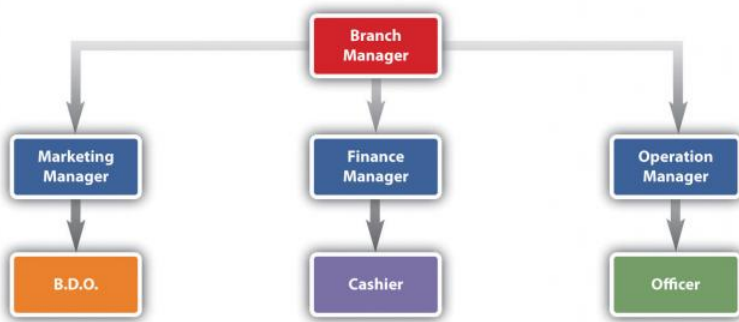
Upward communication is when the lower levels of an organization communicate with the upper levels of an organization. Some examples might be an employee satisfaction survey using online survey tools such as SurveyMonkey. These kinds of tools can be used to determine the changes that should occur in a company. Oftentimes human resource departments may develop a survey such as this to find out how satisfied the employees are with things such as benefits. Then the organization can make changes based on the satisfaction level of the employees. Employees might also engage in upward communication in a given work situation. They might tell their manager their plate is full and they can't take on any new projects. This is considered upward communication, too.

Downward communication is the opposite of upward communication, in that the communication occurs from the upper levels of an organization down to the lower levels of the organization. A manager explaining how to do a task to an employee would be considered downward communication. Development of training programs to communicate safety in the organization might be another example. A change in a pay or bonus structure would be communicated using the downward approach as well.

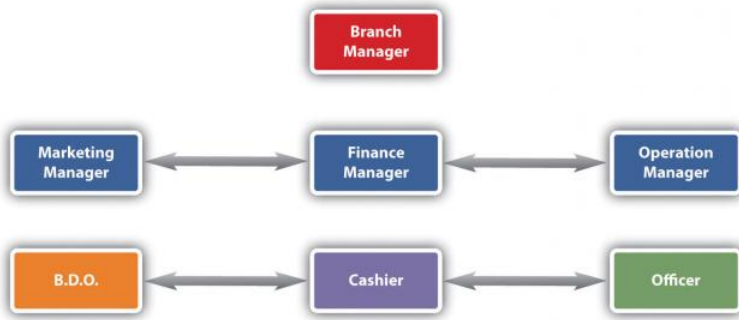
Figure 9.1 Types of Communication Flow in Organizations



"Upward" Communication in a Bank



"Downward" Communication in a Bank



"Horizontal" Communication in a Bank

A diagonal communication approach occurs when interdepartmental communication occurs with people at different levels of the organization. When the human resources assistant speaks with the marketing manager about the hiring of a new employee in marketing, this would be considered diagonal communication.

Horizontal communication occurs when people of the same level in an organization, for example, a marketing manager and a human resource manager, communicate usually to coordinate work between departments. An accounting manager might share information with a production manager so the production manager knows how much budget they have left.

Within all the communication methods we discussed, there are a variety of approaches. Of course, the most obvious is the informal communication that occurs. An e-mail may be sent or a phone call made. Meetings are another way to communicate information. Companies can also use more formal means to communicate. A blog would be an example. Many companies use blogs to communicate information such as financial numbers, changes to policy, and other "state of the business" information. This type of information is often downward communication. However, blogs are not just for upper management anymore. Companies are using microblogs more and more to ensure that people in various departments stay connected with each other, especially when tasks tend to be very interdependent.

Companies continue to use social platforms to keep employees connected, both public networks (e.g., Twitter/X and Facebook) and enterprise social media (ESM) tools such as Microsoft Viva Engage (formerly Yammer), Slack, Workvivo, and others. A formative case from Alcatel-Lucent (~77,000 employees) showed how social tools spread “by word of mouth” and at low cost, rapidly creating hundreds of groups for work and social purposes (Gaudin, 2010); subsequent internal presentations documented the evolution to Jive Engage with ~60,000 profiles and ~4,000 groups within a year, confirming broad, grassroots adoption (Colombe, 2011). Today, large organizations report similar benefits at global scale: BT connected 80,000+ users in 54 countries, generating 50 million connections annually on Workplace from Meta and using sentiment and live video to break down silos (Workplace case study). As the market shifts, Meta’s Workplace becomes read-only in August 2025 and fully shuts down June 2026, many firms are migrating to Viva Engage or Workvivo, using the transition to streamline channels and strengthen leadership visibility and two-way communication (Joffe, 2024; Neal & Moyle, 2024).

Recent syntheses and case research show that ESM improves communication visibility, knowledge sharing, and collaboration, with impacts on individual performance and organizational knowledge management (Zhou & Yin, 2025). Newer findings also link transparency in ESM to stronger instrumental (work-resource) and expressive (emotional-support) ties that bolster employee resilience—critical in hybrid settings (Zhu et al., 2025). Classic productivity estimates remain relevant: fully implemented social technologies can raise knowledge-worker productivity by 20–25% (McKinsey Global Institute), and current practice emphasizes a clearer split between social communication channels (e.g., Viva Engage communities, leadership AMAs) and collaboration tools (Teams/Slack) to avoid channel sprawl (McKinsey; Lock Lee, 2024). In sum, the same dynamics observed at Alcatel-Lucent, news cascading across networks and communities—now occur at larger scale on modern ESM platforms, enabling upward, downward, horizontal, and diagonal communication in a single environment (Microsoft Inside Track; Microsoft Viva Engage product guidance).

Companies also use intranets to communicate information to their employees. An intranet is an internal website, meaning that others generally cannot log in and see information there. The intranet may include information on pay and vacation time as well as recent happenings, awards, and achievements.

Communication Styles

In addition to the communication that occurs within organizations, each of us has our own individual communication style. Many organizations give tests that may indicate their candidate’s preferred style, providing information on the best job fit.

Our communication styles can determine how well we communicate with others, how well we are understood, and even how well we get along with others. As you can imagine, our personality types and our communication styles are very similar. Keep in mind, though, that no one person is “always” one style. We can change our style depending on the situation. The more we can understand our own dominant communication style and pinpoint the styles of others, the better we can communicate. The styles are expresser, driver, relater, and analytical. Let’s discuss each of these styles next.

People with an expresser communication style tend to get excited. They like challenges and rely heavily on hunches and feelings. Depending on the type of business, this can be a downfall as sometimes hard data should be used for decision-making purposes. These people are easily recognized because they don’t like too many facts or boring explanations and tend to be antsy if they feel their time is being wasted with too many facts.

People with a driver style like to have their own way and tend to be decisive. They have strong viewpoints, which they are not afraid to share with others. They like to take charge in their jobs but also in the way they communicate. Drivers usually get right to the point and not waste time with small talk.

People with a relater style like positive attention and want to be regarded warmly. They want others to care about them and treat them well. Because relaters value friendships, a good way to communicate well with them is to create a communication environment where they can feel close to others.

People with an analytical communication style will ask a lot of questions and behave methodically. They don’t like to be pressured to make a decision and prefer to be structured. They are easily recognized by the high number of questions they ask.

Table 9.1 Which One of These Communication Styles Do You Tend to Use?

	Passive	Assertive	Aggressive
Definition	Communication style in which you put the rights of others before your own, minimizing your own self-worth	Communication style in which you stand up for your rights while maintaining respect for the rights of others	Communication style in which you stand up for your rights but you violate the rights of others
Implications to others	my feelings are not important	we are both important	your feelings are not important
	I don't matter	we both matter	you don't matter
	I think I'm inferior	I think we are equal	I think I'm superior
Verbal styles	apologetic	I statements	you statements
	overly soft or tentative voice	firm voice	loud voice
Nonverbal styles	looking down or away	looking direct	staring, narrow eyes
	stooped posture, excessive head nodding	relaxed posture, smooth and relaxed movements	tense, clenched fists, rigid posture, pointing fingers
Potential consequences	lowered self-esteem	higher self-esteem	guilt
	anger at self	self-respect	anger from others
	false feelings of inferiority	respect from others	lowered self-esteem
	disrespect from others	respect of others	disrespect from others
	pitied by others		feared by others

Let's discuss an example of how these communication styles might interact. Let's assume an analytical communicator and a relater are beginning a meeting where the purpose is to develop a project time line. The analytical communicator will be focused on the time line and not necessarily the rapport building that the relater would be focused on. The conversation might go something like this:

Relater:

What are you doing this weekend? I am going to my son's baseball game. It is supposed to be hot—I am looking forward to it.

Analytical:

That's great. OK, so I was thinking a start date of August 1st for this project. I can get Kristin started on a to-do list for the project.

Relater:

That would be great. Kristin is a really hard worker, and I'm sure she won't miss any details.

Analytical:

Yes, she's OK. So, your team will need to start development now with a start day coming up. How are you going to go about this?

How do these two personality styles walk away from this conversation? First, the relater may feel ignored or rejected, because the analytical communicator didn't want to discuss weekend details. The analytical communicator may feel annoyed that the relater is wasting time talking about personal things when they have a goal to set a project time line. These types of small miscommunications in business are what can create low morale, absenteeism, and other workplace issues. Understanding which style we tend to use can be the key in determining how we communicate with others. Here is another, personal example of these communication styles and how a conversation might go:

Expresser, to his partner:

I am really excited for our hiking trip this weekend.

Driver:

I still think we should leave on Thursday night rather than Friday.

Expresser:

I told you, I don't think I can get all day Friday off. Besides, we won't have much time to explore anyway, if we get there on Thursday, it will already be dark.

Driver:

It won't be dark; we will get there around 7, before anyone else, if we leave after work.

Expresser:

I planned the trip. I am the one who went and got our food and permits, I don't see why you have to change it.

Driver:

You didn't plan the trip; I am the one who applied for the permits.

In this situation, you can see that the expresser is just excited about the trip and brings up the conversation as such. The driver has a tendency to be competitive and wants to win, hence his willingness to get there Thursday before everyone else. The expresser, on the other hand, tried to sell his ideas and didn't get the feedback he felt he deserved for planning the trip, which made the communication start to go south.

In addition to our communication personalities, people tend to communicate based on one of three styles. First, a passive communicator tends to put the rights of others before his or her own. Passive communicators tend to be apologetic or sound tentative when they speak. They do not speak up if they feel like they are being wronged.

An aggressive communicator, on the other hand, will come across as standing up for his or her rights, while possibly violating the rights of others. This person tends to communicate in a way that tells others they don't matter, or their feelings don't matter.

An assertive communicator respects his rights and the rights of others when communicating. This person tends to be direct but not insulting or offensive. The assertive communicator stands up for his or her own rights but makes sure the rights of others aren't affected.

Have you heard of a passive-aggressive communicator? This person tends to be passive but later aggressive by perhaps making negative comments about others or making snide or underhanded comments. This person might express his or her negative feelings in an indirect way, instead of being direct. For example, you are trying to complete a project for a client and the deadline is three days away. You and your team are working frantically to finish. You ask one of your employees to come in to work on Saturday morning to finish up the loose ends, so the project will be ready to present to the client on Monday. Your employee agrees, but when you show up on Monday, the project isn't ready to present. You find out that this person had plans on Saturday but wasn't direct with you about this. So the project didn't get completed, and you had to change the appointment with the client. Later, you also find out that this employee was complaining to everyone else that you had asked her to come in on Saturday. As you can see from this example, passive-aggressive behavior doesn't benefit anyone. The employee should have been direct and simply said, "I can't come in on Saturday, but I can come in Sunday or work late Friday night." Ideally, we want to be assertive communicators, as this shows our own self-esteem but at the same time respects others and isn't misleading to others, either.

When dealing with someone who exhibits passive-aggressive behavior, it is best to just be direct with them. Tell that person you would rather she be direct than not show up. Oftentimes passive-aggressive people try to play the martyr or the victim. Do not allow such people to press your buttons and get you to feel sorry for them. This gives them control and can allow them to take advantage.

Nonverbal Communication

Now that we have discussed the types of communication in organizations and different verbal communication styles, it is only appropriate to discuss body language as well. Most successful HR professionals are excellent at reading and understanding nonverbal language, especially during the interview process. This is discussed in Chapter 5 "Selection". The interviewer's nonverbal language can also help or hinder a candidate, so we want to be careful of our nonverbal language when interviewing someone. Nonverbal language accounts for a large part of communication. Without seeing and hearing the nonverbal clues, it is easier to have misunderstandings. Nonverbal language can include facial expressions, eye contact, standing or sitting posture, and the position of our hands. Our tone of voice, loudness or softness, and gestures can also be part of body language. The better we

can get at knowing what our own body language is telling others and reading others' body language, the better we can get at communicating well with others.

Strategic HR Communication Style in Organizations



This video addresses the importance of determining company communication style.

Consider the use of digital forms of communication, such as e-mail and text messaging. These forms of communication do not allow us to read another's body language, which can often result in misconceptions about what another is saying. Use of "smiley" icons can make this clearer, but often people cannot detect sarcasm and other nonverbal communication cues. If you have something important to communicate, it is better to communicate most of the time in person or via phone, so you can hear tone and see facial expressions.

How Would You Handle This?

She Said What?

As the HR manager, you have a meeting scheduled in a few minutes with Adeline. Adeline is the accounting manager for a small firm in Boise, Idaho. She has four people who report to her, Alan being one of them. Alan manages three people in his position as account director. Adeline just left a meeting with one of Alan's employees, who complained of Alan's communication style and threatened to quit. She said that Alan belittles them and withholds information. She also complained of Alan making inappropriate comments, which were meant as a joke but were offensive. How would you handle this?

Another note to consider on body language is how body language can be different across cultures. For example, the OK sign (thumb and pointer figure put together to form a circle) means "great" or "fine" in the United States, but in Brazil, Germany, and Russia, this sign would be considered both rude and offensive. In Japan, this sign means you want the store to give you change in coins. When traveling, we often take for granted that gestures, and even interpersonal distance, or how far apart we stand from another person, are the same at home, but obviously this is not the case. Different nonverbal language can be different wherever you go, so reading up on the place you will visit can ensure you won't offend anyone while there. Having this information can also help us train our employees for overseas assignments. This is discussed in Chapter 8 "Training and Development" and Chapter 14 "International HRM".

Figure 9.2



What Are Each of These Images Telling Us?

Listening

Listening is obviously an important part of communication. There are three main types of listening. Competitive or combative listening happens when we are focused on sharing our own point of view instead of listening to someone else. In passive listening, we are interested in hearing the other person and assume we hear and understand what the person says correctly, without verifying. In active listening, we are interested in what the other person has to say and we are active in checking our understanding with the speaker. For example, we may restate what the person has said and then verify our understanding is correct. The feedback process is the main difference between passive listening and active listening.

Figure 9.3 Active listening involves four phases (Steil, et. al., 2011).



Key Takeaways

- *Emotional intelligence* can be improved over time, unlike IQ, which stays stable throughout life.
- Emotional intelligence includes knowing and managing your emotions, motivating yourself, recognizing and understanding other people's emotions, and managing relationships.
- There are four types of communication at work: *downward*, *upward*, *horizontal*, and *diagonal*. All types of communication can happen at once, especially with the use of blogs and social networking sites.
- Companies that use good communication tend to have less turnover and less absenteeism.
- There are four main types of communication styles: *expresser*, *driver*, *relater*, and *analytical*. The better we can understand our own style of communication and the communication styles of others, the easier it will be to communicate with them.
- Passive, aggressive, and passive-aggressive behaviors are not healthy ways of communicating. Assertive behavior, on the other hand, respects one's own rights and the rights of others.
- *Nonverbal communication* is one of the most important tools we can use to communicate how we feel. Watching others' body language can give us signals as to how they may really feel.
- Listening is also an important part of communication. *Active listening* occurs when we are interested in what the other person has to say, and we check with the speaker to make sure we understand what they have said. *Competitive or combative listening* is when we are focused on sharing our own point of view. *Passive listening* is when we listen to someone, but do not verify that we understand what someone is saying.

Exercises

1. Learn more about your EI by going to http://www.queendom.com/tests/access_page/index.htm?idRegTest=1121(opens in new window) and taking the test. Then answer the following questions:
 1. What did the test say about your EI?
 2. What are some things you can do to improve your EI? What strategies might you use to improve your EI?
2. Which communication style, the expresser, driver, relater, or analytical, do you typically use? How can you get better at understanding other people's style and get comfortable communicating in their style?
3. Do you tend to be passive, assertive, or aggressive? Give an example of when you used each style and discuss the result.
4. Take a few hours and watch the body language of the people in your workplace or personal life. Pay careful attention, really being aware of body language. What was the situation? What kinds of body language did they show?

¹“Effective Communication in the Workplace,” Business Performance, accessed July 19, 2010, www.businessperform.com/workplace-communication/workplace_communication.html.

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5.3: Management Styles

Learning Objectives

1. Define the various types of management styles.
2. Explain how we can determine which style to use in a variety of situations.

Management style ties in very closely with communication style. There isn't necessarily one management style that is better than another; they are simply different and might be used in a variety of situations. HR managers can provide training on each of these areas since management style impacts the ability and motivation of employees to do their jobs. This is addressed in Chapter 7 "Retention and Motivation".

Fortune 500 Focus

One of the most renowned Fortune 500 management philosophies is the GE Way, immortalized through Jack Welch's leadership. Welch, CEO from 1981 to 2001, transformed GE's market value from \$14 billion to nearly \$600 billion by applying a command-and-control style, famously using "rank-and-yank" performance management and Six Sigma rigor (Bouttell, 2025; Rice et al., 2024; Welch, 1981–2001). GE has long been a breeding ground for executive talent, when Welch retired in 2001, runners-up Robert Nardelli and W. James McNerney were quickly snapped up by Home Depot and 3M, respectively (Deutsch, 2007; Britannica, 2025).

However, when Nardelli brought GE's command-and-control approach to Home Depot, it failed to translate. He enforced strict inventory control and mandated off-hours shelf stocking, moves that did not resonate in a retail culture where employees lacked advancement incentives. This misalignment led to internal discontent and elevated turnover (Deutsch, 2007; Britannica, 2025; Wharton, 2007). More recent leadership scholarship critiques Welch's insistence on efficiency and predictability, his dismissal of variation is now seen as stifling innovation and employee agency, with companies like Netflix advocating a more "productive chaos" model instead (Parker, 2024). A 2023 reassessment of Welch's tenure highlights his successes in performance and growth while cautioning against his short-term, cost-driven mindset that compromised long-term sustainability (Rice et al., 2024).

It's clear that management style is not universally transferable. Executives often make the mistake of applying one approach—command-and-control or otherwise—across every situation and individual. Instead, effective leadership requires adjusting style to context, employee aspirations, and cultural fit.

Management styles are one of the most challenging topics we can deal with in a work setting. Everyone is different; everyone has a preference for which style motivates them the best in a variety of situations. Oftentimes managers make the mistake of using the same style for everyone, regardless of ability or motivation. In this section, we will discuss some of the main management styles and how to know which one to use in a specific situation.

Task Style versus People-Centered Style

When we look at the styles of management, we see that most styles fall into one of two categories, a task-oriented management style or a people-centered style.

A manager with a task-oriented style will focus on the technical or task aspects of the job. The concern for this manager is that employees know what is expected of them and have the tools needed to do their job.

A people-oriented style is more concerned with the relationships in the workplace. The manager emphasizes the interpersonal relations, as opposed to the task. The manager is most concerned about the welfare of the employee and tends to be friendly and trusting.

Understanding these two main differences in management style, we will now look at other possible styles a manager might use.

Participatory, Directing, or Teamwork Styles

Utilization of a participatory management style involves both a task-oriented style and a people-centered style. This style emphasizes how the employee's assigned task fits into the bigger picture. This style will provide support and input where needed.

As a result, the focus is on the task but also on the person and the relationships required to get the task done. This style might be used when the employees are experienced and the deadlines reasonable enough to provide the time needed to focus both on the task and the person. If more hands-on management is required¹, might be appropriate. Consider a very tight deadline or an emergency situation in which someone needs to be calling the shots. For example, in your doggie treats business, you just received an order for one hundred dog cookies by later this afternoon. You might consider using a directing style to make sure it gets done on time. This style doesn't focus on the person, but rather focuses on getting the task done; hence it tends to be more of a task-oriented style.

A manager who uses a teamwork management style believes there is a value (or necessity) in having people work in teams. As a result, this style tends to require a people-centered approach. Relationships are most important, and assuming the individuals work well together, the task will be successfully accomplished. The advantage to this style, given the type of task and situation, is that as a manager you are able to pool resources and abilities from several different people. Use of a team style can also provide big benefits for the company. For example, Google uses a teamwork approach it calls "grouplets." Google believes that individuals should be able to spend time on something that interests them and is also company related. Engineers at Google spend 20 percent of their time on this endeavor. As a result, grouplets are formed, and the grouplet works on their idea with no specific budget. Some of the best ideas from Google have come through this teamwork process. Gmail, in fact, was developed using a grouplet (Mediratta, 2007).

Autocratic, Participative, and Free-Reign Styles

An autocratic style of management involves the task-oriented style. The focus is on getting things done, and relationships are secondary. This type of manager tends to tell people what to do and takes a "my way or the highway" approach. Another description for this type of manager is a taskmaster. This person uses his or her authority and makes all the decisions as to who does what, how it is done, and when it should get done.

On the other hand, a participative style constantly seeks input from the employees. Setting goals, making plans, and determining objectives are viewed as a group effort, rather than the manager making all the decisions.

At the other extreme, a free-rein style gives employees total freedom to make decisions on how things will get done. The manager may establish a few objectives, but the employees can decide how those objectives are met. In other words, the leader tends to be removed from the day-to-day activities but is available to help employees deal with any situation that may come up.

Path Goal Model for Leadership

The path goal theory says that the role of a leader is to define goals and lay down the path for the employees to meet those goals. Aspects include clarification of the task and scope of the process. Clarification of the employee's role and clarification around how the success of the task will be measured are key aspects in this model. The leader also is involved in guidance and coaching surrounding the goal and removes obstacles for employees that might affect the completion of the task. The path goal theory says that if employees are satisfied by the leadership style, they will be motivated toward the goals of leadership. Part of the model also stresses that the skills, experience, and environmental contingencies of the job play a role in the success of the leader.

Figure 9.4 Path Goal Model for Leadership



Applying Management Styles

It is great to talk about management style, but application of that management style, especially in an HR environment, is just as important as knowing the management styles. In this section, we will discuss how and when you might use each style when managing people.

Another way we can view leadership is through the situational leadership model (Blanchard, 2000). This model, developed by Ken Blanchard (author of the *One Minute Manager* series of books), does a good job explaining how we might use one type of management style versus another.

The model looks at three areas: the relationship behavior of the manager, the task behavior of the manager, and the readiness of employees. The relationship behavior means how supportive the manager needs to be in helping employees. Task behavior refers to the type of style the manager should use when managing employees, based on their readiness level. Readiness includes the willingness and skills to perform the task at hand. Depending on where the employees fall in each of these areas, you might use a different management style:

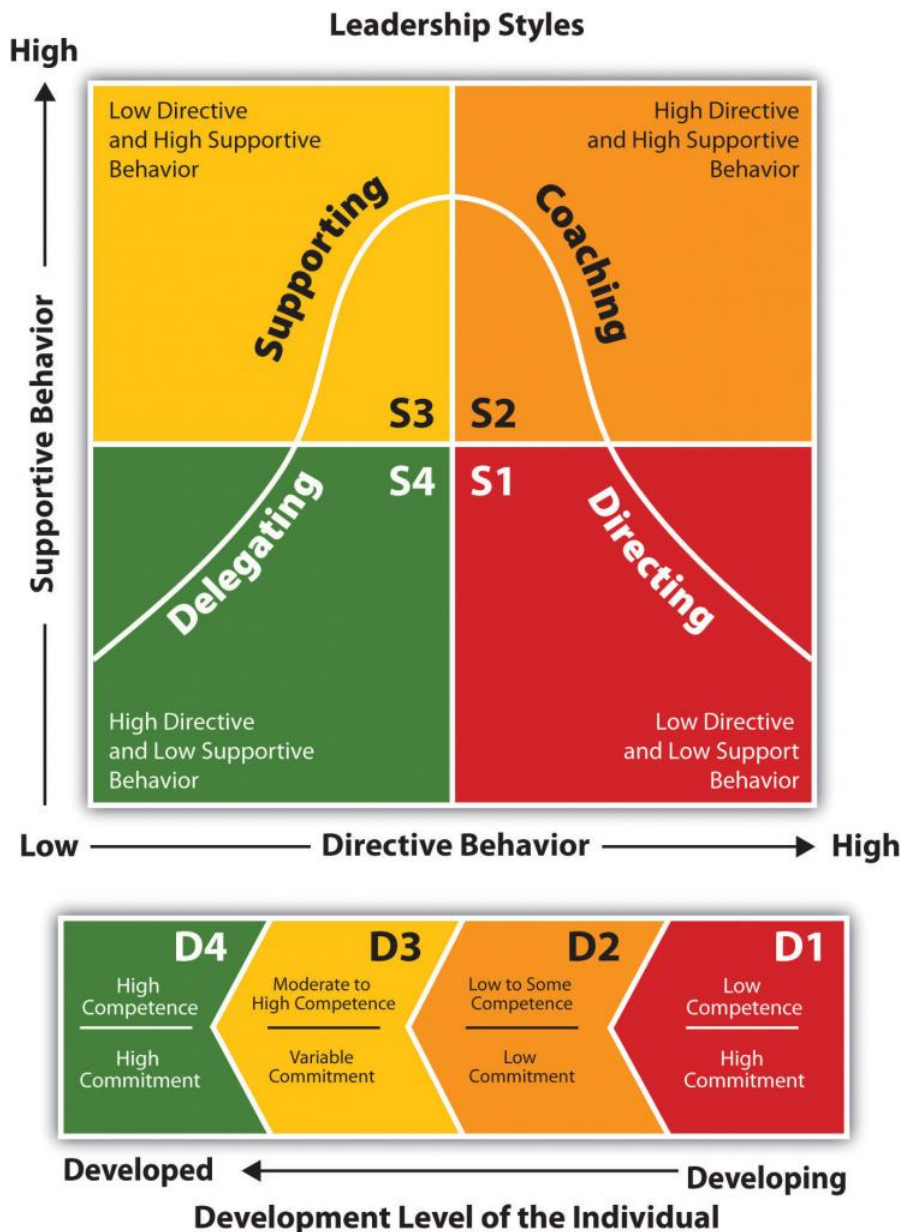
- D4—High Competence, High Commitment—Experienced at the job and comfortable with their own ability to do it well. May even be more skilled than the leader.
- D3—High Competence, Variable Commitment—Experienced and capable, but may lack the confidence to go it alone or the motivation to do it well/quickly.
- D2—Some Competence, Low Commitment—May have some relevant skills but won't be able to do the job without help. The task or the situation may be new to them.
- D1—Low Competence, High Commitment—Generally lacking the specific skills required for the job at hand but has the confidence and/or motivation to tackle it.

Based on the readiness and commitment of the employee, the leader can see what management style and level of support the employee should experience (Situational Leadership Grid, 2008):

- S1—Telling/Directing—High task focus, low relationship focus—Leaders define the roles and tasks of the “follower” and supervise them closely. Decisions are made by the leader and announced, so communication is largely one way. This style can be used with people who lack competence but are enthusiastic and committed and who need direction and supervision to get them started.
- S2—Selling/Coaching—High task focus, high relationship focus—Leaders still define roles and tasks but seek ideas and suggestions from the follower. Decisions remain the leader's prerogative, but communication is much more two-way. This approach can be used with people who have some competence but lack commitment and who need direction and supervision because they are still relatively inexperienced. These individuals may also need support and praise to build their self-esteem and involvement in decision making to restore their commitment.
- S3—Participating/Supporting—Low task focus, high relationship focus—Leaders pass day-to-day decisions, such as task allocation and processes, to the follower. The leader facilitates and takes part in decisions, but control is given to the follower. This style can be used with people who have the necessary competence but lack confidence or motivation. These individuals may need little direction because of their skills, but support is necessary to bolster their confidence and motivation.
- S4—Delegating—Low task focus, low relationship focus—Leaders are still involved in decisions and problem solving, but control is with the follower. The follower decides when and how the leader will be involved. This style would work with people who have both competence and commitment and who are able and willing to work on a project by themselves with little supervision or support.

The bottom line when discussing management style is that no one style works best in all situations. We may be more comfortable with one style versus another, but we need to change our management style depending on the person and task we are working with. For example, if you have an employee who is brand new, you will likely work with that person using a more directive style. As she develops, you might change to a participative style. Likewise, someone who does good work and has lots of experience may prefer a free-rein style. Many managers make the mistake of trying to use the same style with every person in every situation. To be a great manager, we must change our styles based on the situation and the individual involved.

Figure 9.5 Blanchard's Situational Leadership Model



How does this relate to human resources? First, in HR, we are the “go to” people when there are communication issues or issues between management and employees. By understanding these styles ourselves, it will be easier to communicate with and provide solutions for the people we work with. We might even be able to use this information to develop management training, which can result in better communication and higher productivity.

? Human Resource Recall

What kind of management style does your supervisor use? Is it effective?

The Three Types of Bad Managers



This video discusses several ways to deal with a poor manager.

Key Takeaways

- Just like in communication, a different management style should be used depending on the employee.
- *Task styles* focus on getting the job done, while *people-centered styles* focus on relationships.
- A *participatory* style involves both task-oriented and people-centered styles. A *directing style* is focused on the task and doesn't allow for employee participation. A *teamwork style* focuses on teamwork and is a people-oriented style. The advantage of this style is the ability to use strengths from everyone on the team.
- An *autocratic* style doesn't allow much room for employee decision making; the focus is on getting the task done. A *participative* style constantly requires input from employees. The *free-rein* style gives employees freedom to make decisions on how things will get done.
- The *situational leadership model*, which looks at relationship behavior, task behavior, and the readiness of employees, is used to recommend different management styles.
- No one management style works in all situations. Just like with communication, you will likely want to vary your approach based on the situation to get the best results.

Exercises

1. Why is it important to understand management style if you are an HR professional or manager? Discuss at least three points.
2. What combinations of management style might you use in each of these situations and why?
 1. You are considering a major change in the way your company does business. Your staff has an excellent record of achieving goals, and your relationship with them is trusting and supportive.
 2. Your employees do a great job. A situation has developed in which you need to make quick decisions and finish a project by the end of the week.
 3. Your employees are having trouble getting the job done. Their performance as a whole is less than expected.
 4. You have an employee who is very motivated but has little experience.

¹“Three Effective Management Styles,” Dun & Bradstreet Credibility Corp., 2010, accessed February 5, 2010, smallbusiness.dnb.com/human-resources/workforce-management/11438-1.html. a directing management styleA management style in which the manager tends to direct rather than allow for feedback.

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CHAPTER OVERVIEW

6: Retention and Motivation

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[6.2: The Costs of Turnover](#)

[6.3: Retention Plans](#)

[6.4: Implementing Retention Strategies](#)

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6.1: Introduction

Dissatisfaction Isn't Always about Pay

As an HR consultant, your job normally involves reviewing HR strategic plans and systems of small to medium size companies, then making recommendations on how to improve. Most of the companies you work with do not have large HR departments, and they find it less expensive to hire you than to hire a full-time person.

Your current client, Pacific Books, is a small online retailer with forty-seven employees. Pacific Books has had some challenges, and as the economy has improved, several employees have quit. They want you to look into this issue and provide a plan to improve retention.

Pacific Books currently has just one person managing payroll and benefits. The individual managers in the organization are the ones who handle other HR aspects, such as recruiting and developing compensation plans. As you speak with the managers and the payroll and benefits manager, it is clear employees are not happy working for this organization. You are concerned that if the company does not improve its employee retention, they will spend an excessive amount of time trying to recruit and train new people, so retention of the current employees is important.

As with most HR issues, rather than just guessing what employees want, you develop a survey to send to all employees, including management. You developed the survey on SurveyMonkey and asked employee satisfaction questions surrounding pay and benefits. However, you know that there are many other things that can cause someone to be unhappy at work, so to take this survey a step further, you decide to ask questions about the type of work employees are doing, management style, and work-life balance. Then you send out a link to all employees, giving them one week to take the survey.

When the results come in, they are astounding. Out of the forty-seven employees, forty-three selected “dissatisfied” on at least four or more areas of the five-question survey. While some employees are not happy with pay and benefits, the results say that other areas of the organization are actually what are causing the dissatisfaction. Employees are feeling micromanaged and do not have freedom over their time. There are also questions of favoritism by some managers for some employees, who always seem to get the “best” projects. When you sit down with the CEO to discuss the survey results, at first she defends the organization by saying the company offers the highest salaries and best benefits in the industry, and she doesn't understand how someone can be dissatisfied. You explain to her that employee retention and motivation is partly about pay and benefits, but it includes other aspects of the employee's job, too. She listens intently and then asks you to develop a retention and motivation plan that can improve the organization.

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6.2: The Costs of Turnover

Learning Objectives

1. Be able identify the difference between direct and indirect turnover costs.
2. Describe some of the reasons why employees leave.
3. Explain the components of a retention plan.

According to Leigh Branham in *Keeping the People Who Keep You in Business* (2000), the cost of losing an employee can range from 25% to 200% of that employee's salary, factoring in issues such as customer service disruption, decreased morale, burnout among remaining staff, and the expense of hiring and training replacements. Recent data confirms Branham's early estimates, showing that in 2025, turnover costs still vary widely—typically 30% to over 200% of an employee's salary—depending on the role, with senior positions incurring the highest costs. These expenses stem from recruitment, onboarding, lost productivity, and morale impacts, underscoring that employee turnover remains a significant and costly challenge for organizations.

Organizations in 2025 continue to face these significant costs, with trends focusing on retention strategies and understanding these hidden expenses to improve overall financial health and stability.

There are two types of turnover, voluntary turnover and involuntary turnover. Voluntary turnover is the type of turnover that is initiated by the employee for many different reasons. Voluntary turnover can be somewhat predicted and addressed in HR, the focus of this chapter. Involuntary turnover is where the employee has no choice in their termination—for example, employer-initiated due to nonperformance.

It has been suggested that replacement of an employee who is paid \$8 per hour can range upwards of \$4,000 (Paient, 2009). Turnover can be calculated by

separations during the time period (month)/total number of employees midmonth $\times 100$ = the percentage of turnover.

For example, let's assume there were three separations during the month of August and 115 employees midmonth. We can calculate turnover in this scenario by

$3/115 \times 100 = 2.6\%$ turnover rate.

This gives us the overall turnover rate for our organization. We may want to calculate turnover rates based on region or department to gather more specific data. For example, let's say of the three separations, two were in the accounting department. We have ten people in the accounting department. We can calculate that by

accounting: $2/10 \times 100 = 20\%$ turnover rate.

The turnover rate in accounting is alarmingly high compared to our company turnover rate. There may be something happening in this department to cause unusual turnover. Some of the possible reasons are discussed in "[Reasons for Voluntary Turnover](#)".

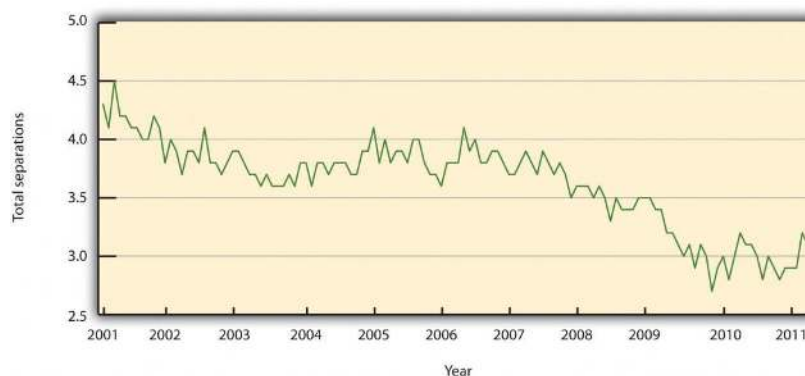


Figure 6.2.1: United States Yearly Turnover Statistics, 2001–11 Source: Data from Bureau of Labor Statistics, "Job Openings and Labor Turnover Survey," accessed August 11, 2011, www.bls.gov/jlt/#data.

In HR, turnover costs are typically divided into **direct** and **indirect** categories. Direct costs include expenses such as recruiting and advertising for a replacement, onboarding and training, interviewing time, separation costs, and temporary staffing to cover vacancies. Indirect costs encompass productivity loss, reduced performance, knowledge gaps, declining morale, and potential impacts on customer satisfaction. These costs highlight that turnover is not only a financial burden but also a strategic challenge for organizations (source: HR cost analysis, 2025).

Direct Costs include:

- **Recruiting a replacement:** expenses such as recruiter fees, job adverts, background checks, and internal HR time
- **Advertising:** paid ads and marketing efforts to attract candidates
- **Onboarding:** costs for new employee equipment, documentation, benefits setup, and access to systems
- **Interviewing and assessment time:** the hours spent by staff reviewing resumes, conducting, and debriefing interviews
- **Training time:** onboarding and on-the-job coaching hours for new hires
- **Separation costs:** severance payments, benefit payouts, potential legal fees, and exit interview administration
- **Overtime or temporary staffing:** covering duties with overtime pay or temporary employees during vacancies

Indirect Costs include:

- **Knowledge loss:** departure of institutional knowledge and expertise
- **Productivity dips:** lower output from both the departing employee and during the new hire's ramp-up
- **Insider risk:** potential transfer of trade secrets or client relationships to competitors
- **Declining motivation:** remaining staff may feel overburdened or discouraged
- **Morale issues:** frequent departures can erode team spirit and retention
- **Customer satisfaction impact:** longer wait times, reduced service quality, and damaged reputation
- **Recruitment/onboarding bottlenecks:** difficulty filling roles quickly raises costs and administrative strain
- **Managerial/time burden:** managers and HR must spend significant time on recruitment activities
- **Lost development investment:** departures negate sunk costs in employee training and growth
- **Reduced innovation:** experienced staff departures and disrupted workflows slow down problem-solving and creativity

These examples provide a modern breakdown of both visible and hidden costs associated with employee turnover.

(Young, 2024)

To avoid these costs, development of retention plans is an important function of the HR strategic plan. Retention plans outline the strategies the organization will use to reduce turnover and address employee motivation.

Table 6.2.1 Turnover Costs

Direct	Indirect
Recruitment costs	Lost knowledge
Advertising costs for new position	Loss of productivity while new employee is brought up to speed
Orientation and training of new employee	Cost associated with lack of motivation prior to leaving
Severance costs	Cost associated with loss of trade secrets
Testing costs	
Time to interview new replacements	
Time to recruit and train new hires	



This video provides an overview of the cost of employee turnover.

Reasons for Voluntary Turnover

Before we discuss specific details on retention planning, it is important to address the reasons why people choose to leave an organization to begin with. One mistake HR professionals and managers make is to assume people leave solely on the basis of their unhappiness with their compensation packages.

Once we find out what can cause voluntary turnover, we can develop retention strategies to reduce turnover. Some of the common reasons employees leave organizations can include the following:

1. **A poor match between the job and the skills of the employee.** This issue is directly related to the recruitment process. When a poor match occurs, it can cause frustration for the employee and for the manager. Ensuring the recruitment phase is viable and sound is a first step to making sure the right match between job and skills occurs.
2. **Lack of growth.** Some employees feel “stuck” in their job and don’t see a way to have upward mobility in the organization. Implementing a training plan and developing a clearly defined path to job growth is a way to combat this reason for leaving.
3. **Internal pay equity.** Some employees, while they may not feel dissatisfied with their own pay initially, may feel dissatisfaction when comparing their pay with others. Remember the pay equity theory discussed in Chapter 6? This theory relates to one reason why people leave.
4. **Management.** Many employees cite management as their reason for leaving. This can be attributed to overmanaging (micromanaging) people, managers not being fair or playing favorites, lack of or poor communication by managers, and unrealistic expectations of managers.
5. **Workload.** Some employees feel their workloads are too heavy, resulting in employees being spread thin and lacking satisfaction from their jobs, and possibly, lack of work-life balance as a result.

We know that some people will move or perhaps their family situation changes. This type of turnover is normal and expected. Figure 6.2.1 shows other examples of why people leave organizations.

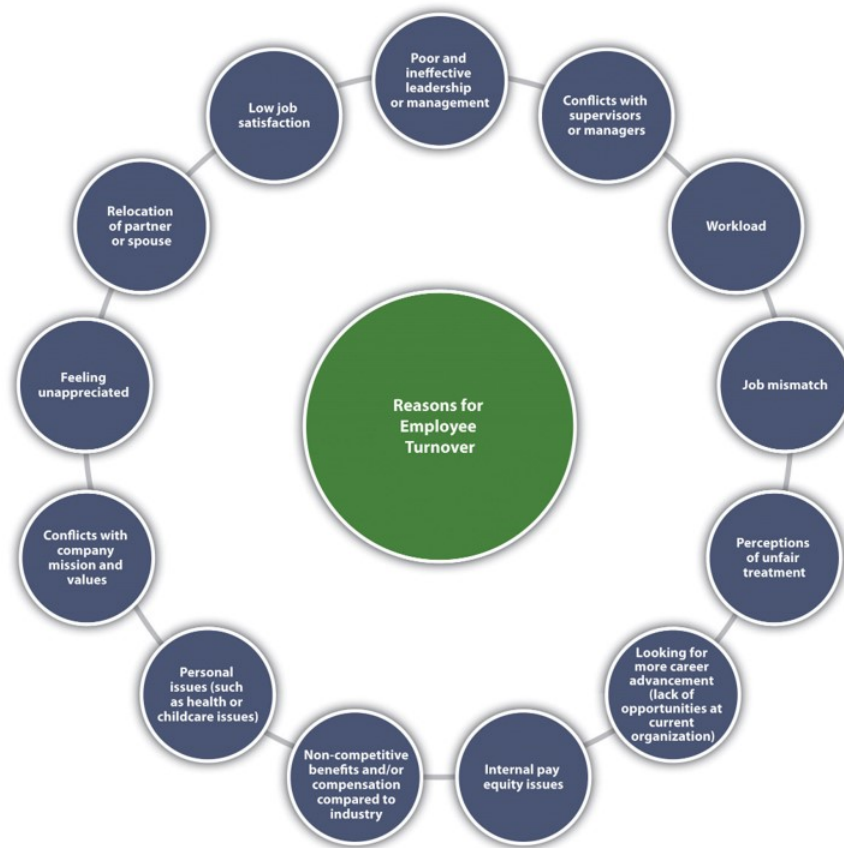


Figure 6.2.1: Common Reasons for Employee Turnover



Figure 6.2.1: Cost of employee turnover can be high for both the bottom line and employee morale. Jacklee – Frustrated man at desk – CC BY-SA 3.0.

As HR professionals and managers, we want to be sure we have plans in place to keep our best people. One such plan is the retention plan.

Human Resource Recall

Do you feel your current or past organization did a good job of reducing turnover? Why or why not?

Key Takeaways

- Retaining employees is an important component to a healthy organization. Losing an employee is called *turnover*. Turnover can be very expensive to an organization, which is why it is important to develop retention plans to manage turnover.
- *Voluntary turnover* is turnover that is initiated by the employee, while *involuntary turnover* is initiated by the organization for various reasons such as nonperformance.
- *Direct turnover costs* and *indirect turnover costs* can include the costs associated with employee replacement, declining employee morale, or lost customers.
- Some of the reasons why employees leave can include a poor match between job and skills, no growth potential, pay inequity among employees, the fairness and communication style of management, and heavy workloads.

Exercise

1. Perform an Internet search of average employee turnover cost and report findings from at least three different industries or companies.

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6.3: Retention Plans

Learning Objectives

1. Be able to discuss some of the theories on job satisfaction and dissatisfaction.
2. Explain the components of a retention plan.

Effective high-performance work systems (HPWS) is the name given to a set of systematic HR practices that create an environment where the employee has greater involvement and responsibility for the success of the organization. A high-performance work system is a strategic approach to many of the things we do in HR, including retention. Generally speaking, a HPWS gets employees involved in conceiving, designing, and implementing processes that are better for the company and better for the employee, which increases retention. Figure 6.3.1 gives an example of HR's part in creating these systems.



Figure 6.3.1: HR Components of a HPWS. (CC-BY-NC-SA This work)

Keeping HPWS in mind, we can begin to develop retention plans. The first step in this process is to understand some of the theories on job satisfaction and dissatisfaction. Next, we can gather data as to the satisfaction level of our current employees. Then we can begin to implement specific strategies for employee retention.

Theories on Job Dissatisfaction

There are a number of theories that attempt to describe what makes a satisfied employee versus an unsatisfied employee. While you may have learned about these theories in another class, such as organizational behavior, they are worth a review here to help us better understand employee satisfaction from an HR perspective.

Progression of Job Withdrawal

The first step to developing a retention plan is understanding some of the theories surrounding job satisfaction. One of the basic theories is the progression of job withdrawal theory, developed by Dan Farrell and James Petersen (Farrell & Petersen, 1984). It says that people develop a set of behaviors in succession to avoid their work situation. These behaviors include behavior change, physical withdrawal, and psychological withdrawal.

Within the behavior change area, an employee will first try to change the situation that is causing the dissatisfaction. For example, if the employee is unhappy with the management style, he or she might consider asking for a department move. In the physical withdrawal phase, the employee does one of the following:

- Leaves the job
- Takes an internal transfer
- Starts to become absent or tardy

If an employee is unable to leave the job situation, he or she will experience psychological withdrawal. They will become disengaged and may show less job involvement and commitment to the organization, which can create large costs to the organization, such as dissatisfied customers.

Table 6.3.1: Process of Job Withdrawal

Employee becomes dissatisfied	• For any number of reasons discussed earlier in this chapter
Behavior change	• If unionized, increased grievances • Whistle-blowing • Change of conditions, such as applying for other jobs
Physical withdrawal	• Leave the job • Internal transfer • Absenteeism • Tardiness
Psychological withdrawal	• Disengagement in job and/or with team members • Less organizational commitment • Become less productive

Hawthorne Studies

Between 1927 and 1932, a series of experiments were conducted by Elton Mayo in the Western Electric Hawthorne Works company in Illinois (Mayo, 1949; 2007). Mayo developed these experiments to see how the physical and environmental factors of the workplace, such as lighting and break times, would affect employee motivation.

This was some of the first research performed that looked at human motivation at work. His results were surprising, as he found that no matter which experiments were performed, worker output improved. His conclusion and explanation for this was the simple fact the workers were happy to receive attention from researchers who expressed interest in them. As a result, these experiments, scheduled to last one year, extended to five years to increase the knowledge base about human motivation.

The implication of this research applies to HR and managers even today. It tells us that our retention plans must include training and other activities that make the employee feel valued.

Maslow's Hierarchy of Needs

In 1943, Abraham Maslow developed what was known as the theory of human motivation (Maslow, 1999). His theory was developed in an attempt to explain human motivation. According to Maslow, there is a hierarchy of five needs, and as one level of need is satisfied, it will no longer be a motivator. In other words, people start at the bottom of the hierarchy and work their way up. Maslow's hierarchy consists of the following:

- Self-actualization needs
- Esteem needs
- Social needs
- Safety needs
- Physiological needs

Physiological needs are our most basic needs, including food, water, and shelter. Safety needs at work might include feeling safe in the actual physical environment, or job security. As humans, we have the basic need to spend time with others. Esteem needs refer to the need we have to feel good about ourselves. Finally, self-actualization needs are the needs we have to better ourselves.

The implications of his research tell us, for example, that as long as an employee's physiological needs are met, increased pay may not be a motivator. Likewise, employees should be motivated at work by having all needs met. Needs might include, for example, fair pay, safety standards at work, opportunities to socialize, compliments to help raise our esteem, and training opportunities to further develop ourselves.

Herzberg Two-Factor Theory

In 1959, Frederick Herzberg published *The Motivation to Work* (Herzberg, et. al., 1993), which described his studies to determine which aspects in a work environment caused satisfaction or dissatisfaction. He performed interviews in which employees were asked what pleased and displeased them about their work. From his research, he developed the motivation-hygiene theory to explain these results.

The things that satisfied the employees were motivators, while the dissatisfiers were the hygiene factors. He further said the hygiene factors were not necessarily motivators, but if not present in the work environment, they would actually cause demotivation. In other words, the hygiene factors are expected and assumed, while they may not necessarily motivate.

His research showed the following as the top six **motivation factors**:

1. Achievement
2. Recognition
3. The work itself
4. Responsibility
5. Advancement
6. Growth

The following were the top six **hygiene factors**:

1. Company policies
2. Supervision
3. Relationship with manager
4. Work conditions
5. Salary
6. Relationship with peers

The implication of this research is clear. Salary, for example, is on the hygiene factor list. Fair pay is expected, but it doesn't actually motivate someone to do a better job. On the other hand, programs to further develop employees, such as management training programs, would be considered a motivator. Therefore, our retention plans should be focused on the area of fair salary of course, but if they take the direction of Herzberg's motivational factors, the actual motivators tend to be the work and recognition surrounding the work performed.

McGregor

Douglas McGregor proposed the X-Y theory in his 1960 book called *The Human Side of Enterprise* (McGregor, 2006). McGregor's theory gives us a starting point to understanding how management style can impact the retention of employees. His theory suggests two fundamental approaches to managing people. **Theory X managers**, who have an authoritarian management style, have the following fundamental management beliefs:

- The average person dislikes work and will avoid it.
- Most people need to be threatened with punishment to work toward company goals.
- The average person needs to be directed.
- Most workers will avoid responsibility.

Theory Y managers, on the other hand, have the following beliefs:

- Most people want to make an effort at work.
- People will apply self-control and self-direction in pursuit of company objectives.
- Commitment to objectives is a function of expected rewards received.

- People usually accept and actually welcome responsibility.
- Most workers will use imagination and ingenuity in solving company problems.

As you can see, these two belief systems have a large variance, and managers who manage under the X theory may have a more difficult time retaining workers and may see higher turnover rates. As a result, it is our job in HR to provide training opportunities in the area of management, so our managers can help motivate the employees. Training is a large part of the retention plan.

Human Resource Recall

What are the disadvantages of taking a theory X approach with your employees?

Carrot and Stick

It is unknown for sure where this term was first used, although some believe it was coined in the 1700s during the Seven Years' War. In business today, the stick approach refers to “poking and prodding” to get employees to do something. The carrot approach refers to the offering of some reward or incentive to motivate employees. Many companies use the stick approach, as in the following examples:

- If you don't increase your sales by 10 percent, you will be fired.
- Everyone will have to take a pay cut if we don't produce 15 percent more than we are currently producing.

As you can see, the stick approach takes a punitive look at retention, and we know this may motivate for a short period of time, but not in the long term.

The carrot approach might include the following:

- If you increase sales by 10 percent, you will receive a bonus.
- If production increases by 15 percent, the entire team will receive an extra day off next month.

The carrot approach takes a much more positive approach to employee motivation but still may not be effective. For example, this approach can actually demotivate employees if they do not feel the goal is achievable. Also, if organizations use this as the only motivational technique, ignoring physiological rewards such as career growth, this could be a detriment as well. This approach is used as a retention method, usually as part of a compensation plan.



Figure 6.3.2: The carrot approach normally means some incentive will occur if expectations are met. The expectations should be attainable and shouldn't be the only method used in retention planning and turnover reduction. Bruce Thomson – Carrot and stick – CC BY-NC-SA 2.0.

All the employee satisfaction theories we have discussed have implications for the development of our retention plans and reduction of turnover. These theories can be intertwined into the specific retention strategies we will implement.

Sources of Employee Satisfaction Data

After we have an understanding of why employees leave and employee satisfaction theories, research is our next step in developing a retention plan that will work for your organization. There isn't a “one size fits all” approach to retention planning, so the research component is essential to formulate a plan that will make a difference in turnover rates.

Research can be performed in two ways. First, exit interviews of employees who are leaving the organization can provide important retention information. An **exit interview** is an interview performed by HR or a manager that seeks information as to what

the employee liked at the organization and what they see should be improved. Exit interviews can be a valuable way to gather information about employee satisfaction and can serve as a starting point for determining any retention issues that may exist in the organization. However, the exit survey data should be reviewed over longer periods of time with several employees, so we can be sure we are not making retention plans based on the feedback of only a few people.

Sample Exit Interview Questions

1. What is your primary reason for leaving?
2. What did you like most about your job?
3. What did you like least about your job?
4. Did you feel there was room for growth in your job?
5. What incentives did you utilize while at our company?
6. Which incentives would you change and why?
7. Did you have enough training to do your job effectively?

The second approach to conducting research is through employee satisfaction surveys. One of the most recognized and standardized tools is the

Job Descriptive Index (JDI)

. It was first introduced in 1969 at Bowling Green State University and has undergone significant updates in 1985, 1997, and most recently in 2008–2009, when new normative data was collected and scales were refined (Bowling Green State University, 2009). The JDI measures five distinct facets of job satisfaction—the work itself, pay, opportunities for promotion, supervision, and coworkers—using 72 items, with each facet containing nine or eighteen questions that respondents typically rate in a “Y/N/?” format (Bowling Green State University, 2009). There is also an abridged version featuring 25 items, which maintains strong reliability while reducing survey length (Bowling Green State University, 2009). The power of the JDI lies in its ability to provide HR managers with longitudinal data, allowing measurement of satisfaction levels over time and benchmarking internally or against industry norms. This makes it particularly valuable for evaluating how organizational changes—such as adjustments in compensation structure—affect job satisfaction.

1. Communicate the purpose and goal of the survey.
2. Once the survey is complete, communicate what changes have been made as a result of the survey.
3. Assure employees their responses will be anonymous and private.
4. Involve management and leadership in the survey development.
5. Ask clear, concise questions that get at the root of morale issues.

We have really valued the time you spent working here and the contribution that you have made. We would love to know more about your experience working here, whether it's with hopes that you may return one day and find it more fulfilling and rewarding, or whether it's to help us create an even better workplace for your colleagues who remain.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
My manager helped me advance my career	☐	☐	☐	☐	☐
I believe my company makes a difference to someone or something that matters	☐	☐	☐	☐	☐
I was paid fairly for the contributions I made here	☐	☐	☐	☐	☐
I found my colleagues here competent at their job	☐	☐	☐	☐	☐
I feel like I had a good work life balance here	☐	☐	☐	☐	☐
I felt valued and appreciated for the work I did here	☐	☐	☐	☐	☐
The compensation I will receive in my new job is significantly better than my current compensation	☐	☐	☐	☐	☐
The manager I'm going to work with is a significant factor in my decision to go into this new job	☐	☐	☐	☐	☐
I'm leaving this company to change my career direction and/or to start a new one entirely	☐	☐	☐	☐	☐

What did you like the most about working here?

What is something you would suggest that we change?

Do you have any other comments or suggestions?

Employee Satisfaction Survey

This is a survey for employees of [COMPANY NAME]. The aim is to understand the working conditions, professional expectations, and overall job satisfaction of all our team members.

Your feedback is anonymous. Filling in the survey should take you a maximum of 5-10 minutes.

Your responses will help us identify areas that need improvement and improve the working experience for everyone.

How long have you been working at the company?

< 1 year	1-2 years	2-5 years	6-10 years	10+ years
☐	☐	☐	☐	☐

Please rate your satisfaction with the following aspects of your experience as an employee at our company.

Scale	Extremely dissatisfied	Dissatisfied	Neutral	Satisfied	Extremely satisfied	Not applicable
Your job overall	☐	☐	☐	☐	☐	☐
Having your work recognized and appreciated	☐	☐	☐	☐	☐	☐
Communication from management	☐	☐	☐	☐	☐	☐
Access to the tools and resources to perform your job effectively	☐	☐	☐	☐	☐	☐
Opportunities to provide feedback to your supervisor	☐	☐	☐	☐	☐	☐
Opportunities for professional growth in our company	☐	☐	☐	☐	☐	☐
Work-life balance	☐	☐	☐	☐	☐	☐
Compensation & benefits	☐	☐	☐	☐	☐	☐

How likely are you to recommend our company to a friend as a good place to work?
(1 = Extremely unlikely, 10 = Extremely likely)

1	2	3	4	5	6	7	8	9	10
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

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Figure 6.3.3: "Exit Survey Questions + Sample Questionnaire Template" by QuestionPro. Accessed 12/4/2025 via: <https://www.questionpro.com/survey-t...-interview/>.*The second approach to conducting research is through employee satisfaction surveys. One of the most recognized and standardized tools is the Job Descriptive Index (JDI). It was first introduced in 1969 at Bowling Green State University and has undergone significant updates in 1985, 1997, and most recently in 2008–2009, when new normative data was collected and scales were refined (Bowling Green State University, 2009). The JDI measures five distinct facets of job satisfaction—the work itself, pay, opportunities for promotion, supervision, and coworkers—using 72 items, with each facet containing nine or eighteen questions that respondents typically rate in a “Y/N/?” format (Bowling Green State University, 2009). There is also an abridged version featuring 25 items, which maintains strong reliability while reducing survey length (Bowling Green State University, 2009). The power of the JDI lies in its ability to provide HR managers with longitudinal data, allowing measurement of satisfaction levels over time and benchmarking internally or against industry norms. This makes it particularly valuable for evaluating how organizational changes—such as adjustments in compensation structure—affect job satisfaction. Any type of survey can provide information on the employee’s satisfaction with their manager, workload, and other satisfaction and motivational issues. An example of a general employee satisfaction survey is shown in Figure 6.3.3. However, a few things should be considered when developing an employee satisfaction survey: Communicate the purpose and goal of the survey. Once the survey is complete, communicate what changes have been made as a result of the survey. Assure employees their responses will be anonymous and private. Involve management and leadership in the survey development. Ask clear, concise questions that get at the root of morale issues. Figure 6.3.3: A Sample Employee Satisfaction Survey Source: “Sample Employee Satisfaction Surveys,” AIHR, accessed December 4, 2025, <https://www.aihr.com/blog/employee-s...rvey-template/>.

Once data have been gathered and analyzed, we can formulate our retention plans. Our plan should always be tied to the strategic goals of the organization and the HPWS previously developed, and awareness of motivational theories should be coupled with the plans. Here are the components of a retention plan:

1. JDI survey results, other survey results, and exit interview findings
2. Current retention plans, strengths, and weaknesses
3. Goals of a retention plan (e.g., reduce turnover by 10 percent)
4. Individual strategies to meet retention and turnover reduction goals.
5. Budgeting. An understanding of how your retention plans will impact the payroll budget is important. See Video 7.2 for an example on how to calculate turnover costs and compare those to costs saved with an effective retention strategy.

Key Takeaways

- A *high-performance work system (HPWS)* is a set of systematic HR practices that create an environment where the employee has greater involvement and responsibility for the success of the organization. The overall company strategy should impact the HPWS HR develops in regard to retention.
- *Retention plans* are developed to address employee turnover, resulting in a more effective organization.
- The first step in developing a retention plan is to use exit interviews and/or surveys to find out the satisfaction level of employees. Once you have the data, you can begin to write the plan, making sure it is tied to the organizational objectives.
- A standardized and widely used measure of job satisfaction is the JDI survey, or the *Job Descriptive Index*. While JDI was initially developed in 1969 at Bowling Green State University, it has gone through extensive revisions, the most recent one in 2009. JDI looks at five aspects of job satisfaction, including present job, present pay, opportunities for promotion, supervision, and coworkers¹.
- A retention plan normally consists of survey and exit interview analysis, any current plans and strengths and weaknesses of those plans, the goal of the retention plan, and finally, the specific strategies to be implemented.
- There are many motivation theories that attempt to explain people's motivation or lack of motivation at work.
- The Hawthorne studies were a series of studies beginning in 1927 that initially looked at physical environments but found that people tended to be more motivated when they felt cared about. The implications to retention are clear, in that employees should feel cared about and developed within the organization.
- Maslow's theory on motivation says that if someone already has a need met, giving them something to meet more of that need will no longer motivate. Maslow divided the needs into physiological, safety, social, esteem, and self-actualization needs. Many companies only motivate based on the low-level needs, such as pay. Development of training opportunities, for example, can motivate employees on high-level self-actualization needs.
- Herzberg developed motivational theories based on actual motivation factors and hygiene factors. Hygiene factors are those things that are expected in the workplace and will demotivate employees when absent but will not actually motivate when present. If managers try to motivate only on the basis of hygiene factors, turnover can be high. Motivation on both of his factors is key to a good retention plan.
- McGregor's theory on motivation looked at managers' attitudes toward employees. He found that theory X managers had more of a negative view of employees, while theory Y managers had a more positive view. Providing training to the managers in our organization can be a key retention strategy based on McGregor's theory.
- The carrot-and-stick approach means you can get someone to do something by prodding or by offering some incentive to motivate them to do the work. This theory implies these are the only two methods to motivate, which of course, we know isn't true. The implication of this in our retention plan is such that we must utilize a variety of methods to retain employees.

Exercises

1. What types of things will motivate you in your career? Name at least five things. Where would these fit on Maslow's hierarchy of needs and Herzberg's two-factor theory?
2. How can you apply each of these motivation techniques to motivation theories?
 1. Training
 2. Employee recognition programs
 3. Bonuses
 4. Management training for your current managers
 5. Profit sharing

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6.4: Implementing Retention Strategies

Learning Objectives

1. Explain the strategies and considerations in developing an effective employee retention plan.

Employee retention remains essential to organizational stability, productivity, and long-term success. Earlier in this chapter, we examined why retention matters and how turnover affects an organization. The first step in building a strong retention strategy is gathering accurate data—calculating turnover rates, conducting exit interviews, analyzing stay interviews, and measuring employee experience through regular surveys or listening tools. These insights help HR professionals identify patterns, understand root causes, and recommend evidence-based solutions.

Next, applying contemporary motivational theories—such as Self-Determination Theory, Equity Theory, and modern engagement frameworks—provides a foundation for understanding what drives employees to stay. With this knowledge, organizations can design targeted retention strategies that align with workforce needs, business priorities, and budget realities.

Many retention approaches introduced throughout this textbook connect to broader HR practices such as compensation, benefits, training, performance management, leadership development, and workplace culture. While each topic receives deeper discussion in its designated chapter, this section highlights how these components work together to support a comprehensive retention plan.

Salaries and Benefits

Compensation and benefits play a foundational role in employee retention. As discussed in Chapter 6, a comprehensive compensation strategy includes not only base pay, but also health benefits, paid time off (PTO), retirement contributions, and other forms of total rewards. An effective compensation plan should support both recruitment and retention by ensuring that pay practices are equitable, competitive, and clearly communicated.

While fair compensation is essential, it is not the only factor influencing retention. Employees may receive strong pay and benefits yet still feel dissatisfied if other aspects of their work experience fall short. When using compensation as a retention tool, consider the following key practices:

1. Establish Consistent and Equitable Pay Processes

Organizations without clear compensation structures risk creating inequities during hiring, pay adjustments, or promotion decisions. Implementing standardized pay practices—such as job architecture, pay banding, and defined merit or market-adjustment cycles—helps ensure fairness and defensibility. Transparent guidelines also reduce the risk of real or perceived bias.

2. Communicate Compensation Clearly

Employees increasingly expect transparency regarding how pay decisions are made. A clear pay communication strategy explains:

- How pay ranges are determined
- How raises, bonuses, or adjustments occur
- What factors influence individual compensation decisions

Proactive communication builds trust and helps employees understand their growth opportunities within the organization.

3. Offer Competitive and Equitable Paid Time Off (PTO)

PTO remains a significant contributor to job satisfaction and retention. Consider evaluating whether your PTO offerings align with industry standards and workforce expectations. Modern organizations often use accrual-based systems, in which employees earn PTO for every set number of hours worked, ensuring fairness for both hourly and salaried employees—including those who frequently work beyond a traditional 40-hour week. Some employers also incorporate mental health days, volunteer time off, or flexible holiday options to support well-being.

Training and Development

Employee development is one of the most powerful—and often underestimated—retention strategies available to organizations today. Research consistently shows that when employees feel they are learning, growing, and advancing professionally, they are significantly more likely to stay with their employer. In fact, lack of career development opportunities remains one of the top drivers of voluntary turnover across industries.

Training and development initiatives support employees' higher-level needs for growth, mastery, and purpose. HR professionals and managers play a vital role in creating an environment where ongoing learning is expected, supported, and rewarded. A strong development strategy may include:

1. Internal Training Programs

Organizations can offer a variety of skill-building opportunities, such as:

- Job-specific technical training
- Leadership development programs
- Soft-skill workshops (communication, teamwork, critical thinking)
- Compliance and safety training
- Cross-training to support job rotation or internal mobility

These programs not only improve performance but also show employees that the organization is invested in their long-term success.

2. External Professional Development

Many employers provide financial support for employees to pursue additional learning, including:

- Industry conferences and seminars
- Professional certifications
- Online courses and micro-credentials
- Degree-completion programs

Tuition reimbursement remains a highly valued benefit. For example, several major employers—including Target, Amazon, Walmart, and Starbucks—offer tuition assistance or debt-free education programs as part of their retention strategy. These programs are especially effective in industries with historically high turnover, such as retail, hospitality, and customer service.

3. Career Pathing and Internal Mobility

Development is most effective when employees see a future for themselves within the organization. HR and leadership should clearly communicate:

- Career pathways available within the organization
- Required skills and competencies for advancement
- Opportunities for lateral moves, promotions, or special assignments

Organizations with strong internal mobility frameworks typically retain employees longer, reduce recruiting costs, and increase engagement.

4. Mentorship and Coaching

Formal or informal mentoring programs connect employees with more experienced colleagues who can:

- Provide career guidance
- Offer feedback and support
- Help employees navigate organizational culture
- Identify growth opportunities

Coaching—either from managers or trained internal/external coaches—can deepen skill development and support employee goals.

5. Stretch Assignments and Project-Based Learning

Employees often grow most when challenged with new responsibilities, such as:

- Leading a small project
- Contributing to a cross-functional team
- Taking on temporary leadership duties
- Testing new ideas or innovations

These assignments build confidence and capability while reducing the likelihood that employees will seek growth opportunities elsewhere.

? How Would You Handle This? 6.4.1

You work in a small HR department. One of your top web developers schedules a meeting and shares that she doesn't see a future for her career within the organization. She explains that she plans to look for another job that offers more growth opportunities. Losing her would significantly affect your team.

- What steps could you take to understand her career goals?
- How might you use training, development, or internal mobility to retain her?
- What changes to your organization's development practices might prevent similar situations in the future?

Performance Appraisals

As discussed in Chapter 11, performance appraisals—now often part of a broader *performance management system*—provide a structured process for evaluating how effectively employees meet job expectations. When implemented well, performance management can significantly strengthen retention by fostering growth, alignment, and engagement.

Effective performance processes do far more than assess past performance; they create opportunities for meaningful dialogue between managers and employees. High-quality appraisals help employees understand what they are doing well, where improvement is needed, and how they can grow within the organization. This clarity supports motivation, career development, and a sense of purpose—key components of long-term retention.

Modern Performance Management Practices That Support Retention

1. Continuous Feedback, Not Just Annual Reviews

Many organizations have moved away from once-a-year evaluations toward ongoing check-ins, coaching conversations, and real-time feedback. Regular discussions allow managers to address issues early, celebrate achievements, and provide guidance for growth. This consistent communication increases trust and reduces surprises during formal reviews.

2. Goal Setting and Alignment

Performance appraisals are an opportunity to clarify expectations and set meaningful, measurable, mutually agreed-upon goals. When goals are aligned with organizational priorities and individual career ambitions, employees are more engaged and more likely to stay.

3. Recognition and Achievement

Recognition remains a strong motivator and is closely connected to retention. A well-designed appraisal process incorporates:

- Acknowledgment of accomplishments
- Appreciation for contributions
- Opportunities to increase responsibility as employees grow

Herzberg's motivation theory aligns with modern research: employees stay when they feel valued, recognized, and empowered.

4. Development Planning

Effective managers use performance discussions to co-create development plans that support employees' future aspirations. This may include training, stretch assignments, certifications, or pathways toward promotion. When employees see a future in the

organization, retention increases.

5. Fairness and Consistency

Employees are more likely to trust the performance process when it is:

- Transparent
- Evidence-based
- Applied consistently
- Free from bias

A fair and meaningful evaluation system improves engagement and reduces turnover related to perceived inequities.

In summary, performance appraisals—when modernized into a continuous performance management approach—serve as a powerful retention strategy. By providing constructive feedback, clear expectations, recognition, and development opportunities, organizations help employees feel supported, valued, and motivated to stay and grow.

? Human Resource Recall

How important is PTO and work-life balance to you when evaluating jobs? How might differences in PTO policies affect your likelihood of choosing or staying with an employer?

Succession Planning

Succession planning is the intentional process of identifying, developing, and preparing internal talent to step into key roles as the organization grows or experiences turnover. Employees often leave organizations when they feel there is no room for advancement. A well-designed succession planning process directly supports retention by showing employees that career growth is both possible and supported.

Modern succession planning goes beyond simply naming a potential replacement; it involves systematically building talent pipelines and offering development opportunities that prepare employees for future leadership or critical roles. This proactive approach reduces disruption, strengthens organizational capability, and signals to employees that the company invests in long-term growth.

Core Goals of an Effective Succession Plan

While organizations may tailor their approach to their size and strategic priorities, most succession plans seek to:

1. Identify High-Potential Employees

Determine which employees demonstrate the skills, leadership qualities, and motivation needed to take on roles with greater responsibility.

2. Develop and Prepare Future Leaders

Provide targeted training, mentoring, coaching, job rotations, and stretch assignments designed to build the competencies required for advancement.

3. Support Strategic Workforce Planning

Ensure the organization has a strong, diverse bench of talent ready to step into mission-critical positions, reducing risk and dependency on external hires.

4. Promote Diversity, Equity & Inclusion (DEI)

A modern succession plan intentionally broadens access to advancement opportunities, helping create more inclusive leadership pipelines and reducing bias.

Communicating Succession Opportunities

Transparency is essential. Employees should understand:

- What career paths exist within the organization
- What competencies or experiences are required for advancement

- How to express interest in growth opportunities
- How performance and potential are evaluated

When employees see a clear connection between their development efforts and future possibilities, they are more motivated to stay and invest in their careers with the organization.

Succession Planning as a Retention Strategy

Succession planning fosters retention by:

- Increasing employee engagement through visible pathways for advancement
- Reducing uncertainty about career growth
- Encouraging managers to support ongoing development conversations
- Creating a culture where learning and mobility are valued

Organizations with strong succession practices experience fewer disruptions when turnover occurs and demonstrate a consistent commitment to developing internal talent—both of which contribute to long-term retention success.

For more detail on building and implementing succession plans—including competency models, development planning, and assessment tools—refer to Chapter 8, *Training and Development*.

Flexible Work Options and Sabbaticals

Flexible work arrangements—including flextime, hybrid work, remote work, and sabbaticals—have become increasingly important components of modern retention strategies. Research consistently shows that flexibility is one of the top factors employees consider when deciding whether to stay with or leave an employer. In many industries, flexible work options are no longer viewed as perks but as expected elements of a competitive total rewards package.

1. Flexible Scheduling (Flextime)

Flextime allows employees to adjust their start and end times within agreed-upon parameters, helping them balance personal obligations—such as childcare, education, or elder care—without sacrificing productivity. Flextime has been shown to:

- Reduce absenteeism
- Increase job satisfaction
- Improve retention among employees who value autonomy and work-life integration

While implementation may vary by industry, even organizations with fixed customer-facing hours can sometimes offer partial flexibility, shift-swapping options, or compressed workweeks.

2. Remote and Hybrid Work

The rise of digital collaboration tools and the shift following the COVID-19 pandemic have made remote and hybrid work more common than ever. For many roles—especially in knowledge-based or administrative professions—hybrid or fully remote work is now a central component of employee expectations.

Remote/hybrid work can:

- Expand talent pools
- Reduce turnover, especially among employees who value geographic flexibility
- Improve work-life balance and reduce burnout
- Support diversity efforts by offering more accessible work arrangements

However, not all jobs can be performed remotely (e.g., retail, manufacturing, healthcare). HR professionals must evaluate which roles are suitable for remote or hybrid models and ensure equity among employees whose work requires in-person presence.

3. Sabbaticals and Extended Leave Programs

Some organizations offer unpaid or paid sabbaticals as part of their long-term retention strategy. Sabbaticals allow employees to step away from work for professional development, volunteer work, travel, research, or personal renewal. These programs can support:

- Career rejuvenation
- Long-term loyalty
- Reduced burnout
- Opportunities for employees to pursue meaningful personal goals

For example, some employers now provide paid sabbaticals after a set number of years of service or offer supplemental leave beyond what is required under federal or state law. Outdoor retailer REI, among others, offers extended leave and sabbatical benefits to encourage personal growth and well-being.

Flexible Work as a Strategic Retention Tool

When thoughtfully implemented, flexible work options can significantly improve retention by:

- Supporting employee autonomy
- Reducing work-life conflict
- Increasing job satisfaction and engagement
- Enhancing overall well-being

Including flexible work policies in a retention plan is particularly important for attracting and keeping talent in highly competitive labor markets.

For more discussion on work-life balance and how flexible policies contribute to employee well-being, see Section 7.3.10, *Work-Life Balance*.

Management Training

As discussed earlier in the chapter, one of the most common reasons employees leave an organization is dissatisfaction with their direct manager. Numerous studies—including research from Gallup, MIT Sloan, and LinkedIn—continue to confirm that manager behavior significantly influences employee engagement, well-being, and retention. Effective management can inspire loyalty, while poor management often leads employees to seek opportunities elsewhere.

Because HR cannot control every aspect of a manager's behavior, organizations must be proactive in providing training and development that help managers succeed in their roles. Modern management training equips leaders with the skills needed to support, motivate, and develop their teams—ultimately strengthening retention.

Management Training as a Retention Strategy

When managers are well trained, the effects ripple throughout the organization. Strong leadership improves:

- Communication
- Employee motivation
- Fairness and consistency
- Team collaboration
- Innovation and problem solving
- Employee sense of belonging

All of these factors directly reduce turnover. Organizations that invest in management training often see improvements in employee engagement, higher performance, and significantly stronger retention. We will discuss training further in Chapter 8 “Training and Development”.

Conflict Management and Fairness

Perceptions on fairness and how organizations handle conflict can be a contributing factor to retention. Outcome fairness refers to the judgment that people make with respect to the outcomes they receive versus the outcomes received by others with whom they associate with. When people are deciding if something is fair, they will likely look at procedural justice, or the process used to determine the outcomes received. There are six main areas employees will use to determine the outcome fairness of a conflict:

1. **Consistency.** The employee will determine if the procedures are applied consistently to other persons and throughout periods of time.

2. **Bias suppression.** The employee perceives the person making the decision does not have bias or vested interest in the outcome.
3. **Information accuracy.** The decision made is based on correct information.
4. **Correctability.** The decision is able to be appealed and mistakes in the decision process can be corrected.
5. **Representativeness.** The employee feels the concerns of all stakeholders involved have been taken into account.
6. **Ethicality.** The decision is in line with moral societal standards.

For example, let's suppose JoAnn just received a bonus and recognition at the company party for her contributions to an important company project. Another employee, Sam, might compare his inputs and outputs and determine it was unfair that JoAnn was recognized because he had worked on bigger projects and not received the same recognition or bonus. When we look at how our retention strategies are developed, we want to be sure they can apply to everyone in the organization; otherwise it may cause retention problems. Some of the procedures questioned could include the following:

- How time off is requested
- How assignments of the “best” projects are given
- Division of work
- Promotion processes
- Pay processes

While some of these policies may seem minor, they can make a big difference in retention. Besides development of fair policies, we should be sure that the policies are clearly communicated and any processes are communicated as well. These types of policies should be revisited yearly and addressed in the retention plan if it appears they are causing employee dissatisfaction.

In addition to a sense of fairness within the organization, there should be a specific way (process) of managing conflict. If the organization is unionized, it is likely a grievance process is already in place to handle many types of conflicts. We will discuss this process in greater detail in Chapter 12 “Working with Labor Unions”. There are four basic steps to handle conflict. First, the individuals in conflict should try to handle the conflict by discussing the problem with one another. If this doesn't work, a panel of representatives from the organization should hear both sides of the dispute and make a recommendation. If this doesn't work, the organization may want to consider mediation and, in extreme cases, arbitration. In mediation, a neutral third party from outside the organization hears both sides of a dispute and tries to get the parties to come to a resolution, while in arbitration, an outside person hears both sides and makes a specific decision about how things should proceed.

Fortune 500 Focus

In 2025, Google continues to evolve its employee retention strategies through advanced data-driven initiatives and adaptive culture enhancements. With over 150,000 employees worldwide (Commonwealth Joe, 2025), the company has leaned into predictive people analytics, using proprietary algorithms to identify employees at risk of leaving—much like its 2010 initiative sparked by turnover to social media competitors (PeopleHum, 2025).

An updated hybrid work model mandates three days per week in the office for employees living within 50 miles of a Google campus; internal data indicates this policy led to an 18% increase in key-position retention and a 23% rise in overall productivity. Beyond office presence, Google offers a robust ecosystem of perks and support, including free gourmet meals, healthcare and wellness facilities, nap pods, mental health resources, generous parental leave and “Baby Bonding Bucks,” sibling personal projects, internal mobility programs, tuition reimbursement, and on-site child care.

Cultural initiatives continue to emphasize open dialogue and empowerment: weekly or monthly “all-hands” meetings still allow employees to engage directly with founders and senior leaders, and the “Project Oxygen” people analytics project continues to pinpoint managerial qualities that drive engagement and retention. These combined efforts place Google consistently within the top 30 of employer rankings, with a Glassdoor score of 4.4 out of 5 in 2025.

Job Design, Job Enlargement, and Empowerment

As we have discussed previously, one of the reasons for job dissatisfaction is the job itself. Ensuring we are appropriately matching skills with the job when we do our initial hiring is important. Revisiting the recruitment plan and selection process should be a consideration.

Job enrichment means to enhance a job by adding more meaningful tasks to make the employee's work more rewarding. For example, if a retail salesperson is good at creating eye-catching displays, allow him or her to practice this skill and assign tasks revolving around this. Job enrichment can fulfill the higher level of human needs while creating job satisfaction at the same time. In fact, research in this area by Richard Hackman and Greg Oldham (Ford, 1969; Paul, et. al., 1969) found that employees need the following to achieve job satisfaction:

- Skill variety, or many different activities as part of the job
- Task identity, or being able to complete one task from beginning to end
- Task significance, or the degree to which the job has impact on others, internally or externally
- Autonomy, or freedom to make decisions within the job
- Feedback, or clear information about performance

In addition, job enlargement, defined as the adding of new challenges or responsibilities to a current job, can create job satisfaction. Assigning employees to a special project or task is an example of job enlargement. Be cautioned, though, that some employees may resent additional work, and job enlargement could actually be a demotivator. Otherwise, knowing the employee and his or her goals and adding work that can be an end to these goals is the best way to achieve retention through job enlargement.



Figure 7.8: Some companies offer unique benefits to reduce turnover. An on-site yoga class is an example of a unique, although expensive, benefit to consider including in a retention plan. Edson Hong – Beauty Orange County Yoga – CC BY-NC-ND 2.0.

Employee empowerment involves employees in their work by allowing them to make decisions and act upon those decisions, with the support of the organization. Employees who are not micromanaged and who have the power to determine the sequence of their own work day, for example, tend to be more satisfied than those who are not empowered. Empowerment can include the following:

- Encourage innovation or new ways of doing things.
- Make sure employees have the information they need to do their jobs; for example, they are not dependent on managers for information in decision making.
- Use management styles that allow for participation, feedback, and ideas from employees.

Pay-for-Performance Strategies

In Chapter 6 “Compensation and Benefits”, we discussed several pay-for-performance strategies we can implement to motivate our employees. A pay-for-performance strategy means that employees are rewarded for meeting preset objectives within the organization. For example, in a merit-based pay system, the employee is rewarded for meeting or exceeding performance during a given time period. Rather than a set pay increase every year, the increase is based on performance. Some organizations offer bonuses to employees for meeting objectives, while some organizations offer team incentive pay if a team achieves a specific, predetermined outcome. For example, each player on the winning team of the 2025 Super Bowl will earn **\$171,000** each (CBS8, 2025), while players on the losing team will receive **\$96,000**. Players also earn money for each wild card game and playoff game. Some organizations also offer profit sharing, which is tied to a company's overall performance. Gain sharing, different from profit sharing, focuses on the improvement of productivity within the organization. Gain sharing is a system where employees share

financial gains derived from *improved performance, productivity, cost savings, quality gains, or efficiency improvements*, rather than general company profits.

To make sure a pay-for-performance system works, the organization needs to ensure the following:

- Standards are specific and measurable.
- The system is applied fairly to all employees.
- The system is communicated clearly to employees.
- The best work from everyone in the organization is encouraged.
- Rewards are given to performers versus nonperformers.
- The system is updated as the business climate changes.
- There are substantial rewards for high performers.

As we have already addressed, pay isn't everything, but it certainly can be an important part of the employee retention plan and strategy.

Work-Life Balance

The concept of work-life balance emerged during the 1960s and 1970s, initially driven by working mothers seeking to balance family responsibilities with professional life. The term gained broader cultural traction in the 1980s when employers like IBM introduced flextime and home-based work options to accommodate employees across the board. In the 1990s, although many organizations developed formal work-life policies, their effective implementation often lagged due to lack of managerial and employee engagement. Today, interest in work-life balance is widespread: WorldatWork, a leading HR association, certifies professionals through its Work-Life Certified Professional (WLCP®) credential, equipping HR practitioners to develop and sustain effective work-life programs.

Author Karol Rose advocates for a dual-focus approach combining systems-level policies—such as flexible schedules and telecommuting—with individualized planning, where employees tailor arrangements to their personal needs (e.g., a single parent versus someone without dependents). This aligns with Brad Harrington of Boston College's Center for Work & Family, who asserts that “work-life balance comes down ... to an individual strategy” rather than just an organizational initiative.

Organizations like REI exemplify this blended approach by offering comprehensive systems—such as paid time off, sabbaticals, and employee assistance services—alongside individual support, including personal counseling and referrals aimed at helping employees achieve their own ideal balance. This strategy contributed to REI ranking in the top ten for work-life balance on Fortune's list of Best Companies to Work For.

Corporate culture plays a vital role in actualizing work-life policies. For instance, O'Neill, a California surf-gear company, sends a clear message by offering summer half-day Fridays, reinforcing that time off is encouraged—not just permitted. Without managerial advocacy—such as refraining from after-hours emails—an organization's stated flexibility can quickly become ineffectual, regardless of the policies in place.

HR expert Jim Bird recommends that companies enhance work-life strategies by implementing dual-purpose training programs—addressing both personal and professional development—and distributing a monthly work-life newsletter featuring employee stories, tips, and resources. Additionally, training managers to model and support work-life balance is critical, as they are instrumental in translating policy into everyday practice.

Other Retention Strategies

According to *Fortune's* “100 Best Companies to Work For,”⁵ retention strategies that are more unusual might be part of your retention plan. Some strategies from the list might include the following:

- On-site daycare or daycare assistance
- Gym memberships or on-site gyms
- Concierge service to assist in party planning or dog grooming, for example
- On-site dry cleaning drop-off and pickup
- Car care, such as oil changes, on-site once a week
- On-site doggie daycare

- On-site yoga or other fitness classes
- “Summer Fridays,” when all employees work half days on Fridays during the summer
- Various support groups for cancer survivors, weight loss, or support in caring for aging parents
- Allowance for fertility treatment benefits
- On-site life coaches
- Peer-to-peer employee recognition programs
- Management recognition programs

While some of these options may not work in your organization, we must remember to be creative when our goal is to retain our best employees and reduce turnover in our organizations. The bottom line is to create a plan and make sure the plan is communicated to all employees.

Key Takeaways

- Once you determine the employee’s level of satisfaction through exit interviews and surveys and understand motivational theories, you can begin to develop specific retention strategies.
- Of course, salary and benefits are a major component of retention strategies. Consistent pay systems and transparent processes as to how raises occur must be included in a retention plan (and compensation strategy).
- Training and development meets the higher level needs of the individual. Many companies offer paid tuition programs, reimbursement programs, and in-house training to increase the skills and knowledge of the employee.
- *Performance appraisals* provide an avenue for feedback and goal setting. They also allow for employees to be recognized for their contributions.
- *Succession plans* allow employees to see how they can continue their career with the organization, and they clearly detail what employees need to do to achieve career growth, without leaving your organization.
- Flextime and telecommuting options are worth considering as an addition to your retention plan. These types of plans allow the employee flexibility when developing his or her schedule and some control of his or her work. Some companies also offer paid or unpaid sabbaticals after a certain number of years with the company to pursue personal interests.
- Since one of the reasons people are dissatisfied at their job is because of the relationship with their manager, providing in-house training to all management team members to help them become better communicators and better managers can trickle down to the employee level, creating better relationships and resulting in better retention and less turnover.
- Reviewing company policies to ensure they are fair can contribute to better retention. For example, how projects are assigned or the process for requesting vacation time can contribute to dissatisfaction if the employee feels the processes are not fair.
- Review the *job design* to ensure the employee is experiencing growth within their job. Changing the job through *empowerment* or *job enlargement* to help the growth of the employee can create better retention.
- Other, more unique ways of retaining employees might include offering services to make the employee’s life easier, such as dry cleaning, daycare services, or on-site yoga classes.

? Exercise 6.4.1

Exercise

Research two different companies you might be interested in working for. When reviewing their list of benefits, which ones are offered that might motivate someone to stay with the organization?

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CHAPTER OVERVIEW

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7.1: Introduction

Training: Not Like It Used to Be

Imagine this: You have a pile of work on your desk and as you get started, your Outlook calendar reminds you about a sexual harassment training in ten minutes. You groan to yourself, not looking forward to sitting in a conference room and seeing PowerPoint slide after PowerPoint slide. As you walk to the conference room, you run into a colleague who is taking the same training that day and commiserate on how boring this training is probably going to be. When you step into the conference room, however, you see something very different.

Computers are set up at every chair with a video ready to start on the computer. The HR manager greets you and asks you to take a seat. When the training starts, you are introduced (via video) on each of the computers to a series of sexual harassment example scenarios. The videos stop, and there is a recorded discussion about what the videos portrayed. Your colleagues in the Washington, DC, office are able to see the same training and, via video conferencing, are able to participate in the discussions. It is highly interactive and interesting. Once the training is finished, there are assignments to be completed via specific channels that have been set up for this training. You communicate about the material and complete the assignments in teams with members of your Washington, DC, office. If you want to review the material, you simply click on a review and the entire session or parts of the training can be reviewed. In fact, on your bus ride home from work, you access the channels on your iPhone, chatting with a colleague in your other office about the sexual harassment training assignment you have due next week. You receive an e-mail from your HR manager asking you to complete a training assessment located in a specific channel in the software, and you happily comply because you have an entirely new perspective on what training can be.

This is the training of today. No longer do people sit in hot, stuffy rooms to get training on boring content. Training has become highly interactive, technical, and interesting owing to the amount of multimedia we can use. Sun Microsystems, for example, has developed just the kind of software mentioned above, called Social Learning eXchange (SLX). This type of training allows people across the country to connect with each other, saving both money and time. In fact, Sun Microsystems received a Best Practices Award from *Training Magazine* for this innovative software in 2010¹. The SLX software allows training to be delivered in an interactive manner in multiple locations. The implications of this type of software are numerous. For example, SLX is used at Sun Professional Services division by delivering instructional videos on tools and software, which employees can view at their own pace². There is also a channel in the software that allows the vice president to communicate with employees on a regular basis to improve employee communications. In another example, this software can be used to quickly communicate product changes to the sales team, who then begin the process of positioning their products to consumers. Training videos, including breakout sessions, can save companies money by not requiring travel to a session. These can even be accessed using application technology on cell phones. Employees can obtain the training they need in the comfort of their own city, office, or home. Someone is sick the day the training is delivered? No problem; they can review the recorded training sessions.

An estimated \$1,400 per employee is spent on training annually, with training costs consuming 2.72 percent of the total payroll budget³ for the average company. With such a large amount of funds at stake, HR managers must develop the right training programs to meet the needs; otherwise, these funds are virtually wasted. This chapter is all about how to assess, develop, implement, and measure an effective training program.

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³See the American Society for Training and Development Trend Review, *ASTD Website*, accessed July 25, 2010, <http://www.astd.org/>.

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7.2: Steps to Take in Training an Employee

Learning Objectives

1. Explain the four steps involved when training an employee.

Any effective company has training in place to make sure employees can perform his or her job. During the recruitment and selection process, the right person should be hired to begin with. But even the right person may need training in how your company does things. Lack of training can result in lost productivity, lost customers, and poor relationships between employees and managers. It can also result in dissatisfaction, which means retention problems and high turnover. All these end up being direct costs to the organization. In fact, a study performed by the American Society for Training and Development (ASTD) found that 41 percent of employees at companies with poor training planned to leave within the year, but in companies with excellent training, only 12 percent planned to leave (Branham, 2005). To reduce some costs associated with not training or undertraining, development of training programs can help with some of the risk. This is what this chapter will address.

For effective employee training, there are four steps that generally occur. First, the new employee goes through an orientation, and then he or she will receive in-house training on job-specific areas. Next, the employee should be assigned a mentor, and then, as comfort with the job duties grows, he or she may engage in external training. Employee training and development is the process of helping employees develop their personal and organization skills, knowledge, and abilities.

Employee Orientation

The first step in training is an employee orientation. **Employee orientation** is the process used for welcoming a new employee into the organization. The importance of employee orientation is two-fold. First, the goal is for employees to gain an understanding of the company policies and learn how their specific job fits into the big picture. Employee orientation usually involves filling out employee paperwork such as I-9 and 401(k) program forms.

The goals of an orientation are as follows:

1. **To reduce start-up costs.** If an orientation is done right, it can help get the employee up to speed on various policies and procedures, so the employee can start working right away. It can also be a way to ensure all hiring paperwork is filled out correctly, so the employee is paid on time.
2. **To reduce anxiety.** Starting a new job can be stressful. One goal of an orientation is to reduce the stress and anxiety people feel when going into an unknown situation.
3. **To reduce employee turnover.** Employee turnover tends to be higher when employees don't feel valued or are not given the tools to perform. An employee orientation can show that the organization values the employee and provides tools necessary for a successful entry.
4. **To save time for the supervisor and coworkers.** A well-done orientation makes for a better prepared employee, which means less time having to teach the employee.
5. **To set expectations and attitudes.** If employees know from the start what the expectations are, they tend to perform better. Likewise, if employees learn the values and attitudes of the organization from the beginning, there is a higher chance of a successful tenure at the company.

Some companies use employee orientation as a way to introduce employees not only to the company policies and procedures but also to the staff. For an example of an orientation schedule for the day, see Figure 7.2.1

Schedule

Below you find the planned schedule for New Employee Orientation. Following the topic are the beginning and ending times and the topic's duration.

Topic	Start Time	End Time	Duration
Introduction	7:30 AM	8:05 AM	35 min
Welcome Video	8:05 AM	8:20 AM	15 min
Form Completion/Oath	8:20 AM	8:55 AM	35 min
Management Welcome & Mission/Philosophy	8:55 AM	9:10 AM	15 min
Payroll	9:10 AM	9:25 AM	15 min
BREAK	9:25 AM	9:40 AM	15 min
Personnel Health (TB Test)	9:40 AM	10:10 AM	30 min
Patient Privacy Training/HIPPA	10:10 AM	10:20 AM	10 min
Union	10:20 AM	10:50 AM	30 min
Police Briefing	10:50 AM	11:05 AM	15 min
ID Badges	11:05 AM	11:45 AM	40 min
LUNCH	11:45 AM	12:15 PM	30 min
Employee Responsibility and Conduct	12:15 PM	12:45 PM	30 min
Information Security	12:45 PM	1:00 PM	15 min
Benefits (*See remarks below)	1:00 PM	2:30 PM	1.5 hr
BREAK (P&R Form Completion)	2:30 PM	2:45 PM	15 min
Computer Orientation	2:45 PM	4:00 PM	1 hr 15 min
Student Programs/Career Development	2:45 PM	4:00 PM	1 hr 15 min

*All Employees **NOT** receiving Benefits will attend Computer Orientation from 1:00 PM TO 2:30 PM then from 2:45 PM to 4:00 PM. Information sessions on Student Programs and Career Development are by an HR Staff member.

Beverage will be served in the morning and a box lunch will be served at lunchtime.

Figure 7.2.1: Some companies have very specific orientations, with a variety of people providing information to the new hires. This can create a welcoming environment, besides giving the employee the information they need. This is an example of one such orientation. Source: Sample schedule courtesy of Louis Stokes Cleveland VA Medical Center, <http://www.cleveland.va.gov/docs/NEOSchedule.pdf> (accessed September 2, 2011).

Human Resource Recall

Have you ever participated in an orientation? What was it like? What components did it have?

In-House Training

In-house training programs are learning opportunities developed by the organization in which they are used. This is usually the second step in the training process and often is ongoing. In-house training programs can be training related to a specific job, such as how to use a particular kind of software. In a manufacturing setting, in-house training might include an employee learning how to use a particular kind of machinery.

Many companies provide in-house training on various HR topics as well, meaning it doesn't always have to relate to a specific job. Some examples of in-house training include the following:

- Ethics training
- Sexual harassment training
- Multicultural training
- Communication training
- Management training
- Customer service training
- Operation of special equipment
- Training to do the job itself
- Basic skills training

As you can tell by the list of topics, HR might sometimes create and deliver this training, but often a supervisor or manager delivers the training.

Mentoring

After the employee has completed orientation and in-house training, companies see the value in offering mentoring opportunities as the next step in training. Sometimes a mentor may be assigned during in-house training. A **mentor** is a trusted, experienced advisor who has direct investment in the development of an employee. A mentor may be a supervisor, but often a mentor is a colleague who has the experience and personality to help guide someone through processes. While mentoring may occur informally, a mentorship program can help ensure the new employee not only feels welcomed but is paired up with someone who already knows the ropes and can help guide the new employee through any on-the-job challenges.

To work effectively, a mentoring program should become part of the company culture; in other words, new mentors should receive in-house training to be a mentor. Mentors are selected based on experience, willingness, and personality. IBM's Integrated Supply Chain Division, for example, has successfully implemented a mentorship program. The company's division boasts 19,000 employees and half of IBM's revenues, making management of a mentorship program challenging. However, potential mentors are trained and put into a database where new employees can search attributes and strengths of mentors and choose the person who closely meets their needs. Then the mentor and mentee work together in development of the new employee. "We view this as a best practice," says Patricia Lewis-Burton, vice president of human resources, Integrated Supply Chain Division. "We view it as something that is not left to human resources alone. In fact, the program is imbedded in the way our group does business" (Witt, 2005).



Figure 7.2.2: In-house training occurs when someone from within the company is delivering the training information, while external training is usually delivered by someone who does not work for the company and is not physically on-site. Tadas1980 – [FL Technics Training](#) – CC BY-SA 3.0.

Some companies use short-term mentorship programs because they find employees training other employees to be valuable for all involved. Starbucks, for example, utilizes this approach. When it opens a new store in a new market, a team of experienced store managers and baristas are sent from existing stores to the new stores to lead the store-opening efforts, including training of new employees.

External Training

External training includes any type of training that is not performed in-house. This is usually the last step in training, and it can be ongoing. It can include sending an employee to a seminar to help further develop leadership skills or helping pay tuition for an employee who wants to take a marketing class. To be a Ford automotive technician, for example, you must attend the Ford ASSET Program, which is a partnership between Ford Motor Company, Ford dealers, and select technical schools¹.

How Would You Handle This?

To Train or Not to Train

Towanda Michaels is the human resource manager at a medium-size pet supply wholesaler. Casey Cleps is a salesperson at the organization and an invaluable member of the team. Last year, his sales brought in about 20 percent of the company revenue alone.

Everybody likes Casey: he is friendly, competent, and professional.

Training is an important part of the company, and an e-mail was sent last month that said if employees do not complete the required safety training by July 1, they would be let go.

It is July 15, and it has just come to Towanda's attention that Casey has not completed the online safety training that is required for his job. When she approaches him about it, he says, "I am the best salesperson here; I can't waste time doing training. I already know all the safety rules anyway."

Would you let Casey go, as stated in the e-mail? How would you handle this?

Key Takeaways

- *Employee training and development* is the framework for helping employees develop their personal and organizational skills, knowledge, and abilities. Training is important to employee retention.
- There are four steps in training that should occur. *Employee orientation* has the purpose of welcoming new employees into the organization. An effective employee orientation can help reduce start-up costs, reduce anxiety for the employee, reduce turnover, save time for the supervisor and colleagues, and set expectations and attitudes.
- An *in-house training program* is any type of program in which the training is delivered by someone who works for the company. This could include management or HR. Examples might include sexual harassment training or ethics training. In-house training can also include components specific to a job, such as how to use a specific kind of software. In-house training is normally done as a second and ongoing step in employee development.
- A *mentor* form of training pairs a new employee with a seasoned employee. This is usually the third step in employee training. A mentor program for training should include a formalized program and process.
- *External training* is any type of training not performed in-house; part of the last training step, external training can also be ongoing. It can include sending employees to conferences or seminars for leadership development or even paying tuition for a class they want to take.

Exercises

1. Why do you think some companies do not follow the four training steps? What are the advantages of doing so?
2. What qualities do you think a mentor should have? List at least five.
3. Have you ever worked with a mentor in a job, at school, or in extracurricular activities? Describe your experience.

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7.3: Types of Training

Learning Objectives

1. Be able to explain and give examples of the types of training that can be offered within an organization.

There are a number of different types of training we can use to engage an employee. These types are usually used in all steps in a training process (orientation, in-house, mentorship, and external training). The training utilized depends on the amount of resources available for training, the type of company, and the priority the company places on training. Companies such as The Cheesecake Factory, a family restaurant, make training a high priority. The company spends an average of \$2,000 per hourly employee. This includes everyone from the dishwasher and managers to the servers. For The Cheesecake Factory, this expenditure has paid off. They measure the effectiveness of its training by looking at turnover, which is 15 percent below the industry average (Ruiz, 2006). Servers make up 40 percent of the workforce and spend two weeks training to obtain certification. Thirty days later, they receive follow-up classes, and when the menu changes, they receive additional training (Ruiz, 2006). Let's take a look at some of the training we can offer our employees.

As you will see from the types of training below, no one type would be enough for the jobs we do. Most HR managers use a variety of these types of training to develop a holistic employee.

Technical or Technology Training

Depending on the type of job, technical training will be required. **Technical training** is a type of training meant to teach the new employee the technological aspects of the job. In a retail environment, technical training might include teaching someone how to use the computer system to ring up customers. In a sales position, it might include showing someone how to use the customer relationship management (CRM) system to find new prospects. In a consulting business, technical training might be used so the consultant knows how to use the system to input the number of hours that should be charged to a client. In a restaurant, the server needs to be trained on how to use the system to process orders. Let's assume your company has decided to switch to the newest version of Microsoft Office. This might require some technical training of the entire company to ensure everyone uses the technology effectively. Technical training is often performed in-house, but it can also be administered externally.

Quality Training

In a production-focused business, quality training is extremely important. **Quality training** refers to familiarizing employees with the means of preventing, detecting, and eliminating nonquality items, usually in an organization that produces a product. In a world where quality can set your business apart from competitors, this type of training provides employees with the knowledge to recognize products that are not up to quality standards and teaches them what to do in this scenario. Numerous organizations, such as the International Organization for Standardization (ISO), measure quality based on a number of metrics. This organization provides the stamp of quality approval for companies producing tangible products. ISO has developed quality standards for almost every field imaginable, not only considering product quality but also certifying companies in environmental management quality. **ISO9000** is the set of standards for quality management, while **ISO14000** is the set of standards for environmental management. ISO has developed 18,000 standards over the last 60 years¹. With the increase in globalization, these international quality standards are more important than ever for business development. Some companies, like 3M (QAI, 2011), choose to offer ISO training as external online training, employing companies such as QAI to deliver the training both online and in classrooms to employees.

Training employees on quality standards, including ISO standards, can give them a competitive advantage. It can result in cost savings in production as well as provide an edge in marketing of the quality-controlled products. Some quality training can happen in-house, but organizations such as ISO also perform external training.

Skills Training

Skills training, the third type of training, includes proficiencies needed to actually perform the job. For example, an administrative assistant might be trained in how to answer the phone, while a salesperson at Best Buy might be trained in assessment of customer needs and on how to offer the customer information to make a buying decision. Think of skills training as the things you actually need to know to perform your job. A cashier needs to know not only the technology to ring someone up but what to do if something

is priced wrong. Most of the time, skills training is given in-house and can include the use of a mentor. An example of a type of skills training is from AT&T and Apple (Whitney, 2011), who in summer 2011 asked their managers to accelerate retail employee training on the iPhone 5, which was released to market in the fall.

Continuing Education Matters



A small business owner explains the advantages of offering informal skills training about new products.

Soft Skills Training

Our fourth type of training is called soft skills training. **Soft skills** refer to personality traits, social graces, communication, and personal habits that are used to characterize relationships with other people. Soft skills might include how to answer the phone or how to be friendly and welcoming to customers. It could include sexual harassment training and ethics training. In some jobs, necessary soft skills might include how to motivate others, maintain small talk, and establish rapport.

In a retail or restaurant environment, soft skills are used in every interaction with customers and are a key component of the customer experience. In fact, according to a *Computerworld* magazine survey, executives say there is an increasing need for people who have not only the skills and technical skills to do a job but also the necessary soft skills, such as strong listening and communication abilities (Hoffman, 2007). Many problems in organizations are due to a lack of soft skills, or interpersonal skills, not by problems with the business itself. As a result, HR and managers should work together to strengthen these employee skills. Soft skills training can be administered either in-house or externally.

Professional Training and Legal Training

In some jobs, professional training must be done on an ongoing basis. **Professional training** is a type of training required to be up to date in one's own professional field. For example, tax laws change often, and as a result, an accountant for H&R Block must receive yearly professional training on new tax codes (Silkey, 2010). Lawyers need professional training as laws change. A personal fitness trainer will undergo yearly certifications to stay up to date in new fitness and nutrition information.

Some organizations have paid a high cost for not properly training their employees on the laws relating to their industry. In 2011, Massachusetts General Hospital paid over \$1 million in fines related to privacy policies that were not followed (Donnelly, 2011). As a result, the organization has agreed to develop training for workers on medical privacy. The fines could have been prevented if the organization had provided the proper training to begin with. Other types of legal training might include sexual harassment law training and discrimination law training.



Figure 7.3.1: Professional training is normally given externally and is usually required for specific professions in which updates occur often, as in the accounting industry. [Wikimedia Commons](#) – public domain.

Team Training

Do you know the exercise in which a person is asked to close his or her eyes and fall back, and then supposedly the team members will catch that person? As a team-building exercise (and a scary one at that), this is an example of team training. The goal of team training is to develop cohesiveness among team members, allowing them to get to know each other and facilitate relationship building. We can define **team training** as a process that empowers teams to improve decision making, problem solving, and team-development skills to achieve business results. Often this type of training can occur after an organization has been restructured and new people are working together or perhaps after a merger or acquisition. Some reasons for team training include the following:

- Improving communication
- Making the workplace more enjoyable
- Motivating a team
- Getting to know each other
- Getting everyone “onto the same page,” including goal setting
- Teaching the team self-regulation strategies
- Helping participants to learn more about themselves (strengths and weaknesses)
- Identifying and utilizing the strengths of team members
- Improving team productivity
- Practicing effective collaboration with team members

Team training can be administered either in-house or externally. Ironically, through the use of technology, team training no longer requires people to even be in the same room.

Human Resource Recall

What kind of team training have you participated in? What was it like? Do you think it accomplished what it was supposed to accomplish?

Managerial Training

After someone has spent time with an organization, they might be identified as a candidate for promotion. When this occurs, **managerial training** would occur. Topics might include those from our soft skills section, such as how to motivate and delegate, while others may be technical in nature. For example, if management uses a particular computer system for scheduling, the manager candidate might be technically trained. Some managerial training might be performed in-house while other training, such as leadership skills, might be performed externally.

For example, Mastek, a global IT solutions and services provider, provides a program called “One Skill a Month,” which enables managers to learn skills such as delegation, coaching, and giving feedback. The average number of total training days at Mastek is

7.8 per employee² and includes managerial topics and soft skills topics such as e-mail etiquette. The goal of its training programs is to increase productivity, one of the organization's core values.

Safety Training

Safety training is a type of training that occurs to ensure employees are protected from injuries caused by work-related accidents. Safety training is especially important for organizations that use chemicals or other types of hazardous materials in their production. Safety training can also include evacuation plans, fire drills, and workplace violence procedures. Safety training can also include the following:

- Eye safety
- First aid
- Food service safety
- Hearing protection
- Asbestos
- Construction safety
- Hazmat safety

The **Occupational Safety and Health Administration**, or OSHA, is the main federal agency charged with enforcement of safety and health regulation in the United States. OSHA provides external training to companies on OSHA standards. Sometimes in-house training will also cover safety training.

Starbucks Training Video

This is a short video Starbucks uses to train new employees on customer service.



Key Takeaways

- There are several types of training we can provide for employees. In all situations, a variety of training types will be used, depending on the type of job.
- *Technical training* addresses software or other programs that employees use while working for the organization.
- *Quality training* is a type of training that familiarizes all employees with the means to produce a good-quality product. The ISO sets the standard on quality for most production and environmental situations. ISO training can be done in-house or externally.
- *Skills training* focuses on the skills that the employee actually needs to know to perform their job. A mentor can help with this kind of training.
- Soft skills are those that do not relate directly to our job but are important. *Soft skills* training may train someone on how to better communicate and negotiate or provide good customer service.
- *Professional training* is normally given externally and might be obtaining certification or specific information needed about a profession to perform a job. For example, tax accountants need to be up to date on tax laws; this type of training is often external.

- *Team training* is a process that empowers teams to improve decision making, problem solving, and team-development skills. Team training can help improve communication and result in more productive businesses.
- To get someone ready to take on a management role, *managerial training* might be given.
- *Safety training* is important to make sure an organization is meeting OSHA standards. Safety training can also include disaster planning.

Exercises

1. Which type of training do you think is most important for an administrative assistant? What about for a restaurant server? Explain your answer.
2. Research OSHA. What are some of the new standards and laws it has recently developed? Outline a training plan for the new standards.

¹“The ISO Story,” International Organization for Standards, accessed July 26, 2010, www.iso.org/iso/about/the_iso_story/iso_story_early_years.htm.

²Mastek website, accessed July 30, 2011, <http://www.mastek.com/careers/learn...ent.html>(opens in new window).

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7.4: Training Delivery Methods

Learning Objectives

1. Explain the types of training delivery methods.

Depending on the type of training occurring, you may choose one delivery method over another. This section discusses the types of delivery methods we can use to execute the types of training. Keep in mind, however, that most good training programs will use a variety of delivery methods.

Wendy's Grill Training, circa 1989



This excellent training video was used at Wendy's to teach employees how to grill the perfect burger. Although the video is over twenty years old, the concepts used in it are still true today.

On-the-Job Coaching Training Delivery

On-the-job coaching is one way to facilitate employee skills training. **On-the-job coaching** refers to an approved person training an employee on the skills necessary to complete tasks. A manager or someone with experience shows the employee how to perform the actual job. The selection of an on-the-job coach can be done in a variety of ways, but usually the coach is selected based on personality, skills, and knowledge. This type of skills training is normally facilitated in-house. The disadvantage of this training revolves around the person delivering the training. If he or she is not a good communicator, the training may not work. Likewise, if this person has "other things to do," he or she may not spend as much time required to train the person and provide guidance. In this situation, training can frustrate the new employee and may result in turnover.

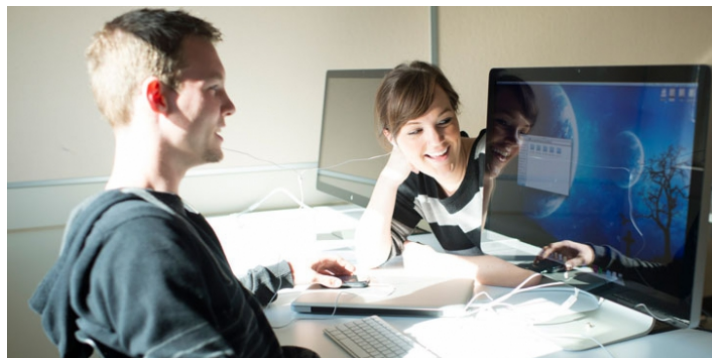


Figure 7.4.1: On-the-job coaching is similar to mentoring. Think of on-the-job coaching as more skills-based training, while mentoring is usually a training delivery method that is more long term and goes beyond just showing the employee skills to do the job. Helen Beatham – [Digital Environment](#) – CC BY-NC-ND 2.0.

Mentoring and Coaching Training Delivery

Mentoring is also a type of training delivery. A mentor is a trusted, experienced advisor who has direct investment in the development of an employee. **Mentoring** is a process by which an employee can be trained and developed by an experienced person. Normally, mentoring is used as a continuing method to train and develop an employee. One disadvantage of this type of training is possible communication style and personality conflict. It can also create overdependence in the mentee or micro-management by the mentor. This is more different than on-the-job coaching, which tends to be short term and focuses on the skills needed to perform a particular job.

Brown Bag Lunch Training Delivery

Brown bag lunches are a training delivery method meant to create an informal atmosphere. As the name suggests, **brown bag lunch training** is one in which the training occurs during lunchtime, employees bring their food, and someone presents training information to them. The trainer could be HR or management or even another employee showing a new technical skill. Brown bag lunches can also be an effective way to perform team training, as it brings people together in a more relaxed atmosphere. Some companies offer brown bag lunch training for personal development as well. For example, HR might want to bring in a specialist on 401(k) plans, or perhaps an employee provides a slide presentation on a trip he or she has taken, discussing the things learned on the trip. One disadvantage to this type of training can be low attendance and garnering enough interest from employees who may not want to “work” during lunch breaks. There can also be inconsistency in messages if training is delivered and not everyone is present to hear the message.

Human Resource Recall

What types of brown bag lunch training would employees be most willing to attend? Do you think this type of training should be required?

Web-Based Training Delivery

Web-based training delivery has a number of names. It could be called e-learning or Internet-based, computer-based, or technology-based learning. No matter what it is called, any **web-based training** involves the use of technology to facilitate training. There are two types of web-based learning. First, **synchronous** learning uses instructor-led facilitation. **Asynchronous** learning is self-directed, and there is no instructor facilitating the course. There are several advantages to web-based training. First, it is available on demand, does not require travel, and can be cost efficient. However, disadvantages might include an impersonal aspect to the training and limited bandwidth or technology capabilities¹.

Web-based training delivery lends itself well to certain training topics. For example, this might be an appropriate delivery method for safety training, technical training, quality training, and professional training. However, for some training, such as soft-skills training, job skills training, managerial training, and team training, another more personalized method may be better for delivery. However, there are many different platforms that lend themselves to an interactive approach to training, such as Sun Microsystems’ Social Learning eXchange (SLX) training system, which has real-time video and recording capabilities. Hundreds of platforms are available to facilitate web-based training. DigitalChalk, for example, allows for both synchronous and asynchronous training and

allows the instructor or human relations manager to track training progress and completion (DigitalChalk, 2010). Some companies use SharePoint, an intranet platform, to store training videos and materials (Microsoft SharePoint, 2010). Blackboard and Angel (used primarily by higher education institutions) allows human resource managers to create training modules, which can be moderated by a facilitator or managed in a self-paced format. In any of the platforms available, media such as video and podcasts can be included within the training.

Considerations for selecting a web-based platform include the following:

- Is there a one-time fee or a per-user fee?
- Do the majority of your employees use a Mac or a PC, and how does the platform work with both systems?
- Is there enough bandwidth in your organization to support this type of platform?
- Is the platform flexible enough to meet your training needs?
- Does the software allow for collaboration and multimedia?
- Is there training for the trainer in adoption of this system? Is technical support offered?

Job Shadowing Training Delivery

Job shadowing is a training delivery method that places an employee who already has the skills with another employee who wants to develop those skills. Apprenticeships use job shadowing as one type of training method. For example, an apprentice electrician would shadow and watch the journeyman electrician perform the skills and tasks and learn by watching. Eventually, the apprentice would be able to learn the skills to do the job alone. The downside to this type of training is the possibility that the person job shadowing may learn “bad habits” or shortcuts to performing tasks that may not be beneficial to the organization.

Fortune 500 Focus

It takes a lot of training for the Walt Disney Company to produce the best Mickey Mouse, Snow White, Aladdin, or Peter Pan. In Orlando at Disneyworld, most of this training takes place at Disney University. Disney University provides training to its 42,000 cast members (this is what Disney calls employees) in areas such as culinary arts, computer applications, and specific job components. Once hired, all cast members go through a two-day Disney training program called Traditions, where they learn the basics of being a good cast member and the history of the company. For all practical purposes, Traditions is a new employee orientation.

Training doesn’t stop at orientation, though. While all positions receive extensive training, one of the most extensive trainings are especially for Disney characters, since their presence at the theme parks is a major part of the customer experience. To become a character cast member, a character performer audition is required. The auditions require dancing and acting, and once hired, the individual is given the job of several characters to play. After a two-week intensive training process on character history, personalities, and ability to sign the names of the characters (for the autograph books sold at the parks for kids), an exam is given. The exam tests competency in character understanding, and passing the exam is required to become hired (Hill, 2005).

While Disney University trains people for specific positions, it also offers an array of continuing development courses called Disney Development Connection. Disney says in 2010, more than 3,254,596 hours were spent training a variety of employees², from characters to management. The training doesn’t stop at in-house training, either. Disney offers tuition reimbursement up to \$700 per credit and pays for 100 percent of books and \$100 per course for cost of other materials. In 2010, Disney paid over \$8 million in tuition expenses for cast members².

Disney consistently ranks in “America’s Most Admired Companies” by *Fortune Magazine*, and its excellent training could be one of the many reasons.

Job Swapping Training Delivery

Job swapping is a method for training in which two employees agree to change jobs for a period of time. Of course, with this training delivery method, other training would be necessary to ensure the employee learns the skills needed to perform the skills of the new job. Job swap options can be motivational to employees by providing a change of scenery. It can be great for the organization as well to cross-train employees in different types of jobs. However, the time spent learning can result in unproductive time and lost revenue.

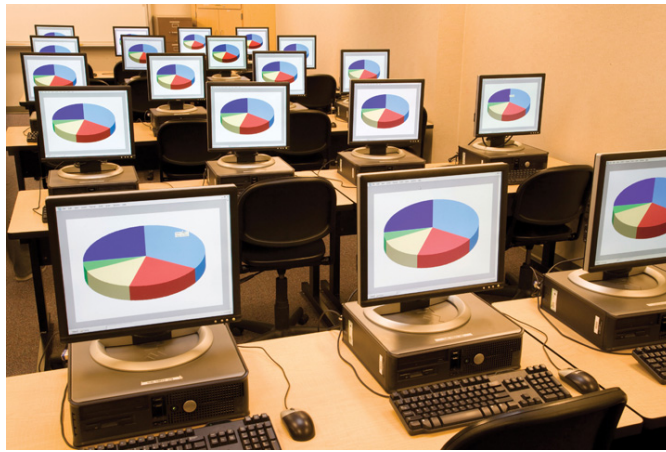


Figure: Vestibule training is also known as “near site” training and can work great for many types of training needs, such as team training and technical training. [Wikimedia Commons](#) – CC BY-SA 3.0.

Vestibule Training Delivery

In **vestibule training**, training is performed near the worksite in conference rooms, lecture rooms, and classrooms. This might be an appropriate method to deliver orientations and some skills-based training. For example, to become a journeyman electrician, an apprentice performs job shadowing, on-the-job training, and vestibule training to learn the law and codes related to electricity installation. During the busy holiday season, Macy’s uses vestibule training to teach new hires how to use the cash register system and provides skills training on how to provide great customer service (Macy’s, 2010).

Many organizations use vestibule training for technical training, safety training, professional training, and quality training. It can also be appropriate for managerial training, soft skills training, and team training. As you can tell, this delivery method, like web-based training delivery, is quite versatile. For some jobs or training topics, this may take too much time away from performing the actual “job,” which can result in lost productivity.

International Assignment Training

Since we are working within a global economy, it might be necessary to provide training to employees who are moving overseas or working overseas. Up to 40 percent of international assignments are terminated early because of a lack of international training (Sullivan & Tu, 2011). Ensuring success overseas is reliant upon the local employee’s learning how to navigate in the new country. The following topics might be included in this type of training:

1. Cultural differences and similarities
2. Insight and daily living in the country
3. Social norms and etiquette
4. Communication training, such as language skills

This training is best delivered by a professional in the region or area in which the employee will be working.

Key Takeaways

- Training delivery methods are important to consider, depending on the type of training that needs to be performed.
- Most organizations do not use only one type of training delivery method; a combination of many methods will be used.
- *On-the-job coaching delivery method* is a training delivery method in which an employee is assigned to a more experienced employee or manager to learn the skills needed for the job. This is similar to the *mentor training delivery method*, except a mentor training method is less about skills training and more about ongoing employee development.
- *Brown bag lunch training delivery* is normally informal and can involve personal development as well as specific job-related skills.
- *Web-based training* is any type of training that is delivered using technology.
- There are numerous platforms that can be used for web-based training and considerations, such as cost, when selecting a platform for use.

- A *synchronous* training method is used for web-based training and refers to delivery that is led by a facilitator. An *asynchronous* training method is one that is self-directed.
- *Job shadowing* is a delivery method consisting of on-the-job training and the employee's learning skills by watching someone more experienced.
- To motivate employees and allow them to develop new skills, *job swapping* training delivery may be used. This occurs when two people change jobs for a set period of time to learn new skills. With this method, it is likely that other methods will also be used, too.
- *Vestibule training* delivery is also known as "near site" training. It normally happens in a classroom, conference room, or lecture room and works well to deliver orientations and some skills-based training. Many organizations also use vestibule training for technical training, safety training, professional training, and quality training.
- Since many companies operate overseas, providing training to those employees with international assignments can better prepare them for living and working abroad.

Exercises

1. Do an Internet search on web-based training. Discuss two of the platforms you found. What are the features and benefits?
2. Which training delivery method do you think you personally would prefer in a job and why?
3. What do you see as advantages and disadvantages to each type of training method?

¹"Advantages and Disadvantages," Web Based Training Information Center, accessed July 27, 2010, www.webbasedtraining.com/primer_advdis.aspx.

²"Training and Development," Disney, accessed July 30, 2011, <http://corporate.disney.go.com/citiz...nddevelopment/>.

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7.5: Designing a Training Program

Learning Objectives

1. Be able to design a training program framework.
2. Understand the uses and applications of a career development program.

The next step in the training process is to create a training framework that will help guide you as you set up a training program. Information on how to use the framework is included in this section.

Training Program Framework Development

When developing your training plan, there are a number of considerations. Training is something that should be planned and developed in advance.

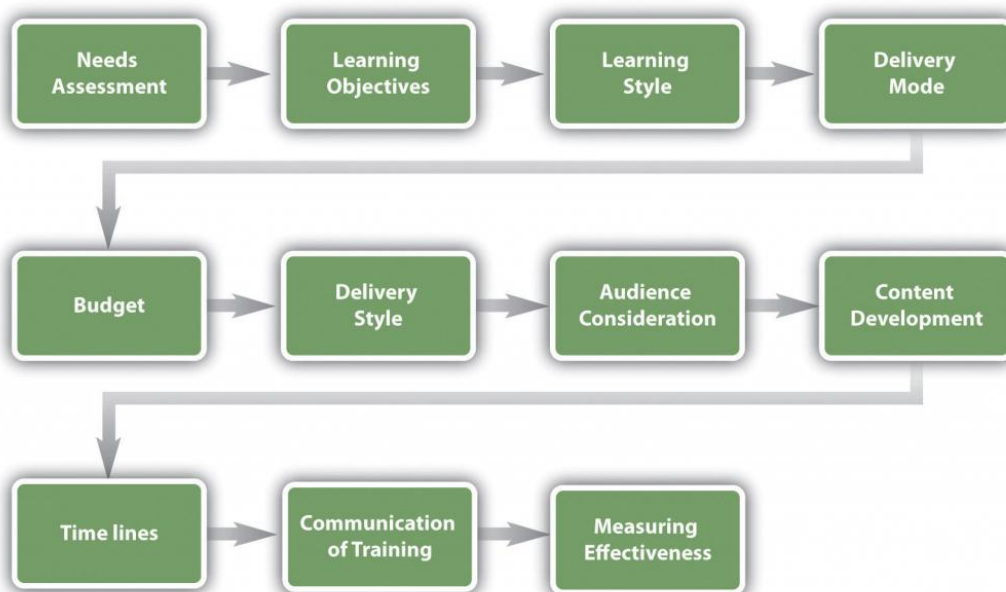


Figure 7.5.1: Training Program Development Model

The considerations for developing a training program are as follows:

1. **Needs assessment and learning objectives.** This part of the framework development asks you to consider what kind of training is needed in your organization. Once you have determined the training needed, you can set learning objectives to measure at the end of the training.
2. **Consideration of learning styles.** Making sure to teach to a variety of learning styles is important to development of training programs.
3. **Delivery mode.** What is the best way to get your message across? Is web-based training more appropriate, or should mentoring be used? Can vestibule training be used for a portion of the training while job shadowing be used for some of the training, too? Most training programs will include a variety of delivery methods.
4. **Budget.** How much money do you have to spend on this training?
5. **Delivery style.** Will the training be self-paced or instructor led? What kinds of discussions and interactivity can be developed in conjunction with this training?
6. **Audience.** Who will be part of this training? Do you have a mix of roles, such as accounting people and marketing people? What are the job responsibilities of these individuals, and how can you make the training relevant to their individual jobs?
7. **Content.** What needs to be taught? How will you sequence the information?
8. **Timelines.** How long will it take to develop the training? Is there a deadline for training to be completed?
9. **Communication.** How will employees know the training is available to them?

10. **Measuring effectiveness of training.** How will you know if your training worked? What ways will you use to measure this?

Human Resource Recall

Can you think of a time where you received training, but the facilitator did not connect with the audience? Does that ever happen in any of your classes (of course not this one, though)?

Needs Assessment

The first step in developing a training program is to determine what the organization needs in terms of training. There are three levels of training needs assessment: **organizational assessment**, **occupational (task) assessment**, and **individual assessment**:

1. **Organizational assessment.** In this type of needs assessment, we can determine the skills, knowledge, and abilities a company needs to meet its strategic objectives. This type of assessment considers things such as changing demographics and technological trends. Overall, this type of assessment looks at how the organization as a whole can handle its weaknesses while promoting strengths.
2. **Occupational (task) assessment.** This type of assessment looks at the specific tasks, skills knowledge, and abilities required to do jobs within the organization.
3. **Individual assessment.** An individual assessment looks at the performance of an individual employee and determines what training should be accomplished for that individual.

We can apply each of these to our training plan. First, to perform an organizational assessment, we can look at future trends and our overall company's strategic plan to determine training needs. We can also see how jobs and industries are changing, and knowing this, we can better determine the occupational and individual assessments.

Researching training needs can be done through a variety of ways. One option is to use an online tool such as SurveyMonkey to poll employees on what types of training they would like to see offered.

As you review performance evaluations turned in by your managers, you may see a pattern developing showing that employees are not meeting expectations. As a result, this may provide data as to where your training is lacking.

There are also types of training that will likely be required for a job, such as technical training, safety training, quality training, and professional training. Each of these should be viewed as separate training programs, requiring an individual framework for each type of training. For example, an employee orientation framework will look entirely different from an in-house technical training framework.

Training must be tied to job expectations. Any and all training developed should transfer directly to the skills of that particular employee. Reviewing the HR strategic plan and various job analyses may help you see what kind of training should be developed for specific job titles in your organization.

Learning Objectives

After you have determined what type of training should occur, learning objectives for the training should be set. A **learning objective** is what you want the learner to be able to do, explain, or demonstrate at the end of the training period. Good learning objectives are performance based and clear, and the end result of the learning objective can be observable or measured in some way. Examples of learning objectives might include the following:

1. Be able to explain the company policy on sexual harassment and give examples of sexual harassment.
2. Be able to show the proper way to take a customer's order.
3. Perform a variety of customer needs analyses using company software.
4. Understand and utilize the new expense-tracking software.
5. Explain the safety procedure in handling chemicals.
6. Be able to explain the types of communication styles and strategies to effectively deal with each style.
7. Demonstrate ethics when handling customer complaints.
8. Be able to effectively delegate to employees.

Once we have set our learning objectives, we can utilize information on learning styles to then determine the best delivery mode for our training.

Learning Styles

Understanding learning styles is an important component to any training program. For our purposes, we will utilize a widely accepted learning style model. Recent research has shown that classifying people into learning styles may not be the best way to determine a style, and most people have a different style depending on the information being taught. In a study by Pashler et al., the authors look at aptitude and personality as key traits when learning, as opposed to classifying people into categories of learning styles. Bearing this in mind, we will address a common approach to learning styles next.

An effective trainer tries to develop training to meet the three different learning styles¹:

1. **Visual learner.** A visual learner usually has a clear “picture” of an experience. A visual learner often says things such as “I can see what you are saying” or “This looks good.” A visual learner is best reached using graphics, pictures, and figures.
2. **Auditory learner.** An auditory learner learns by sound. An auditory learner might say, “If I hear you right” or “What do you hear about this situation?” The auditory learner will learn by listening to a lecture or to someone explaining how to do something.
3. **Kinesthetic learner.** A kinesthetic learner learns by developing feelings toward an experience. These types of learners tend to learn by doing rather than listening or seeing someone else do it. This type of learner will often say things such as “This feels right.”

Most individuals use more than one type of learning style, depending on what kinds of information they are processing. For example, in class you might be a visual learner, but when learning how to change a tire, you might be a kinesthetic learner.

Delivery Mode

Depending on the type of training that needs to be delivered, you will likely choose a different mode to deliver the training. An orientation might lend itself best to vestibule training, while sexual harassment training may be better for web-based training. When choosing a delivery mode, it is important to consider the audience and budget constrictions. For example, Oakwood Worldwide, a provider of temporary housing, recently won the Top 125 Training Award for its training and development programs². It offers in-class and online classes for all associates and constantly add to its course catalog. This is a major recruitment as well as retention tool for its employees. In fact, the company credits this program for retaining 25 percent of its workforce for ten years or more. Table 7.5.1 looks at each of the types of training and suggests appropriate options for delivery modes.

Table 7.5.1: Types of Training and Delivery

Delivery Method	Type of Training Suggested
On-the-job coaching	Technical training
	Skills training
	Managerial training
	Safety training
Mentor	Technical training
	Skills training
	Managerial training
	Safety training
Brown bag lunch	Quality training
	Soft skills training
	Professional training
	Safety training
Web-based	Technical training
	Quality training
	Skills training
	Soft skills training
	Professional training
	Team training
	Managerial training
	Safety training
Job shadowing	Technical training
	Quality training
	Skills training
	Safety training
Job swapping	Technical training
	Quality training
	Skills training
	Professional training
	Team training
	Managerial training
	Safety training
Vestibule training	Technical training
	Quality training
	Skills training
	Soft skills training

Delivery Method	Type of Training Suggested
	Professional training
	Team training
	Managerial training
	Safety training

Budget

How much money do you think the training will cost? The type of training performed will depend greatly on the budget. If you decide that web-based training is the right delivery mode, but you don't have the budget to pay the user fee for the platform, this wouldn't be the best option. Besides the actual cost of training, another cost consideration is people's time. If employees are in training for two hours, what is the cost to the organization while they are not able to perform their job? A spreadsheet should be developed that lists the actual cost for materials, snacks, and other direct costs, but also the indirect costs, such as people's time.

Delivery Style

Taking into consideration the delivery method, what is the best style to deliver this training? It's also important to keep in mind that most people don't learn through "death by PowerPoint"; they learn in a variety of ways, such as auditory, kinesthetic, or visual. Considering this, what kinds of ice breakers, breakout discussions, and activities can you incorporate to make the training as interactive as possible? Role plays and other games can make the training fun for employees. Many trainers implement online videos, podcasts, and other interactive media in their training sessions. This ensures different learning styles are met and also makes the training more interesting.

Audience

Considering your audience is an important aspect to training. How long have they been with the organization, or are they new employees? What departments do they work in? Knowing the answers to these questions can help you develop a relevant delivery style that makes for better training. For example, if you know that all the people attending the training are from the accounting department, examples you provide in the training can be focused on this type of job. If you have a mixed group, examples and discussions can touch on a variety of disciplines.

Content Development

The content you want to deliver is perhaps one of the most important parts in training and one of the most time-consuming to develop. Development of learning objectives or those things you want your learners to know after the training makes for a more focused training. Think of learning objectives as goals—what should someone know after completing this training? Here are some sample learning objectives:

1. Be able to define and explain the handling of hazardous materials in the workplace.
2. Be able to utilize the team decision process model.
3. Understand the definition of sexual harassment and be able to recognize sexual harassment in the workplace.
4. Understand and be able to explain the company policies and structure.

After you have developed the objectives and goals, you can begin to develop the content of the training. Consideration of the learning methods you will use, such as discussion and role playing, will be outlined in your content area.

Development of content usually requires a development of learning objectives and then a brief outline of the major topics you wish to cover. With that outline, you can "fill in" the major topics with information. Based on this information, you can develop modules or PowerPoint slides, activities, discussion questions, and other learning techniques.

Timelines

For some types of training, time lines may be required to ensure the training has been done. This is often the case for safety training; usually the training should be done before the employee starts. In other words, in what time frame should an employee complete the training?

Another consideration regarding time lines is how much time you think you need to give the training. Perhaps one hour will be enough, but sometimes, training may take a day or even a week. After you have developed your training content, you will likely have a good idea as to how long it will take to deliver it. Consider the fact that most people do not have a lot of time for training and keep the training time realistic and concise.

From a long-term approach, it may not be cost effective to offer an orientation each time someone new is hired. One consideration might be to offer orientation training once per month so that all employees hired within that month are trained at the same time.

Development of a dependable schedule for training might be ideal, as in the following example:

1. Orientation is offered on the first Thursday of every month.
2. The second and third Tuesday will consist of vestibule training on management skills and communication.
3. Twice yearly, in August and March, safety and sexual harassment training will be given to meet the legal company requirements.

Developing a dependable training schedule allows for better communication to your staff, results in fewer communication issues surrounding training, and allows all employees to plan ahead to attend training.

Communication

Once you have developed your training, your next consideration is how you will communicate the available training to employees. In a situation such as an orientation, you will need to communicate to managers, staff, and anyone involved in the training the timing and confirm that it fits within their schedule. If it is an informal training, such as a brown bag lunch on 401(k) plans, this might involve determining the days and times that most people are in the office and might be able to participate. Because employees use Mondays and Fridays, respectively, to catch up and finish up work for the week, these days tend to be the worst for training.

Consider utilizing your company's intranet, email, and even posters to communicate the training. Many companies have email groups that can relay the message to only certain departments or individuals, if need be.

Human Resource Recall

What can happen if training is not communicated to employees appropriately?

Measuring Effectiveness

After we have completed the training, we want to make sure our training objectives were met. One model to measure effectiveness of training is the Kirkpatrick model (Kirkpatrick, 2006), developed in the 1950s. His model has four levels:

1. Reaction: How did the participants react to the training program?
2. Learning: To what extent did participants improve knowledge and skills?
3. Behavior: Did behavior change as a result of the training?
4. Results: What benefits to the organization resulted from the training?

Each of Kirkpatrick's levels can be assessed using a variety of methods. We will discuss those next.



Figure 7.5.2: Kirkpatrick's Four Levels of Training Evaluation

Review the performance of the employees who received the training, and if possible review the performance of those who did not receive the training. For example, in your orientation training, if one of the learning objectives was to be able to request time off using the company intranet, and several employees who attended the training come back and ask for clarification on how to perform this task, it may mean the training didn't work as well as you might have thought. In this case, it is important to go back and review the learning objectives and content of your training to ensure it can be more effective in the future.

Many trainers also ask people to take informal, anonymous surveys after the training to gauge the training. These types of surveys can be developed quickly and easily through websites such as SurveyMonkey. Another option is to require a quiz at the end of the training to see how well the employees understand what you were trying to teach them. The quiz should be developed based on the learning objective you set for the training. For example, if a learning objective was to be able to follow OSHA standards, then a quiz might be developed specifically related to those standards. There are a number of online tools, some free, to develop quizzes and send them to people attending your training. For example, Wondershare QuizCreator offers a free trial and enables the manager to track who took the quiz and how well they did. Once developed by the trainer, the quiz can be e-mailed to each participant and the manager can see how each trainee did on the final quiz. After you see how participants do on the quiz, you can modify the training for next time to highlight areas where participants needed improvement.

It can be easy to forget about this step in the training process because usually we are so involved with the next task: we forget to ask questions about how something went and then take steps to improve it.

One way to improve effectiveness of a training program is to offer rewards when employees meet training goals. For example, if budget allows, a person might receive a pay increase or other reward for each level of training completed.

Training Framework	Plan
Needs Assessment	Formalized New Employee Orientation
Delivery Mode	Vestibule
Budget (per person)	Lunch: \$15 Notebook: \$20
Delivery Style	Discussion, PowerPoints, Icebreaker
Audience	New hires from all departments
Goals and Learning Objectives	• Be able to explain company history and structure • Understand operational company policies • Meet department heads
Timeline	4 hours for training, new employee orientation offered on the 5th and 15th of every month
Communication	E-mail to hiring managers and to new employee
Measurement Method	Interactive team quiz

Training Framework	Plan
Needs Assessment	Sexual harassment training
Delivery Mode	Web based
Budget (per person)	User fee: \$10
Delivery Style	Online modules and online assignments
Audience	Required for all employees
Goals and Learning Objectives	• Understand what constitutes sexual harassment • Know what to do if you are sexually harassed at work
Timeline	1.5 hours, offered every Tuesday at 10:00 a.m. and every Thursday at 3:30 p.m. during the month of February
Communication	Company Listserv, announcement to department heads at weekly meeting
Measurement Method	Online end-of-course quiz

Training Framework	Plan
--------------------	------

Figure 7.5.3

Once the training framework has been developed, the training content can be developed. The training plan serves as a starting point for training development.

Career Development Programs and Succession Planning

Another important aspect to training is career development programs. A **career development program** is a process developed to help people manage their career, learn new things, and take steps to improve personally and professionally. Think of it as a training program of sorts, but for individuals. Sometimes career development programs are called professional development plans.

Table 7.5.2: Sample Career Development Plan Developed by an Employee and Commented on by Her Manager

Needs Assessment	Product training
Delivery Mode	Vestibule
Budget (per person)	Materials only online: \$0
Delivery Style	PowerPoint, Role playing
Audience	Salespeople
Goals and Learning Objectives	February 15, 2025 - Understand the features of product xx - Be able to explain the benefits of product xx
Today's Date	Sam Smith
Employee	New product release is October 1st, so training will be in September. 1 hour. Delivered during regular weekly sales meeting
Current job title	Clerk, Accounts Payable
Goals	- Develop management skills - Learn accounting standards - E-mail list message to salespeople, work with sales manager - Promoted to Accounts Payable Manager
Measurement Method	- Management training - Management for product xx - Peachtree accounting software Advanced training - Earn AA/AS online degree in accounting - Take tax certification course - Communications training
Estimated Costs	
Completion Date	Spring of 2026

Manager Notes:

- In-house training offered yearly: "Reading Body Language," and "Writing Development," and "Running an Effective Meeting"
- External Training needed: Peachtree software, AA/AS Degree, Tax certification Training Course
- Assign Sammie to Dorothy Redgur, the CFO for mentorship
- Next steps: Sammie should develop a timeline for when she plans to complete the seminars.

The budget allows us to pay up to \$2,000 per year for external training for all employees. Talk with Sammie about how to receive reimbursement.

As you can see, the employee developed goals and made suggestions on the types of training that could help her meet her goals. Based on this data, the manager suggested in-house training and external training for her to reach her goals within the organization.

Career development programs are necessary in today's organizations for a variety of reasons. First, with a maturing baby-boom population, newer employees must be trained to take those jobs once baby boomers retire. Second, if an employee knows a particular path to career development is in place, this can increase motivation. A career development plan usually includes a list of short- and long-term goals that employees have pertaining to their current and future jobs and a planned sequence of formal and informal training and experiences needed to help them reach the goals. As this chapter has discussed, the organization can and should be instrumental in defining what types of training, both in-house and external, can be used to help develop employees.

To help develop this type of program, managers can consider a few components (Heller, 2005):

- 1. Talk to employees.** Although this may seem obvious, it doesn't always happen. Talking with employees about their goals and what they hope to achieve can be a good first step in developing a formal career development program.
- 2. Create specific requirements for career development.** Allow employees to see that if they do A, B, and C, they will be eligible for promotion. For example, to become a supervisor, maybe three years of experience, management training, and communication training are required. Perhaps an employee might be required to prove themselves in certain areas, such as "maintain and exceed sales quota for eight quarters" to be a sales manager. In other words, in career development there should be a clear process for the employees to develop themselves within the organization.

3. **Use cross-training and job rotation.** Cross-training is a method by which employees can gain management experience, even if for short periods of time. For example, when a manager is out of the office, putting an employee “in charge” can help the employee learn skills and abilities needed to perform that function appropriately. Through the use of **job rotation**, which involves a systematic movement of employees from job to job within an organization, employees can gain a variety of experiences to prepare them for upward movement in the organization.
4. **Utilize mentors.** Mentorship can be a great way for employees to understand what it takes to develop one’s career to the next level. A formal mentorship program in place with willing mentees can add value to your career development program.

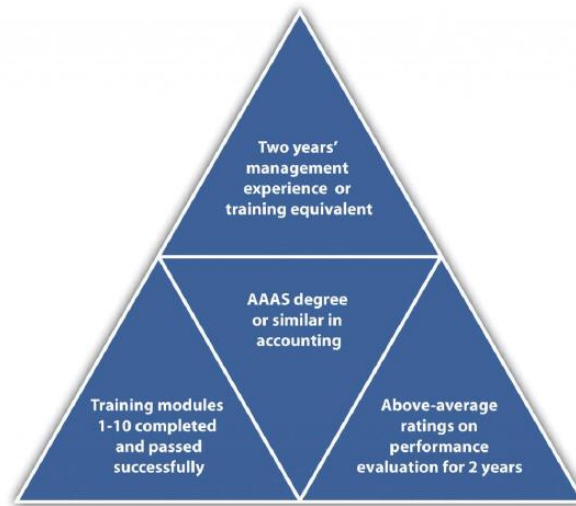


Figure 7.5.4: Career Development Sample Process to Become an Accounts Payable Manager

There are many tools on the web, including templates to help employees develop their own career development plans. Many organizations, in fact, ask employees to develop their own plans and use those as a starting point for understanding long-term career goals. Then hopefully the organization can provide them with the opportunities to meet these career goals. In the late 1980s, many employees felt that career opportunities at their current organizations dwindled after seeing the downsizing that occurred. It gave employees the feeling that companies were not going to help develop them, unless they took the initiative to do so themselves. Unfortunately, this attitude means that workers will not wait for career opportunities within the company, unless a clear plan and guide is put into place by the company (Capelli, 2010). Here is an example of a process that can be used to put a career development program in place (Adolfo, 2010):

1. Meet individually with employees to identify their long-term career interests (this may be done by human resources or the direct manager).
2. Identify resources within the organization that can help employees achieve their goals. Create new opportunities for training if you see a gap in needs versus what is currently offered.
3. Prepare a plan for each employee, or ask them to prepare the plan.
4. Meet with the employee to discuss the plan.
5. During performance evaluations, revisit the plan and make changes as necessary.

Identifying and developing a planning process not only helps the employee but also can assist the managers in supporting employees in gaining new skills, adding value, and motivating employees.

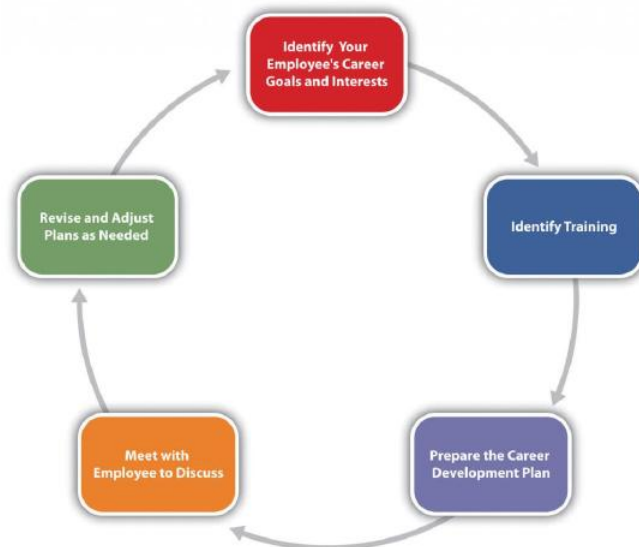


Figure 7.5.5: Career Development Planning Process

Key Takeaways

- There are a number of key considerations in developing a training program. Training should not be handled casually but instead developed specifically to meet the needs of the organization. This can be done by a needs assessment consisting of three levels: *organizational, occupational, and individual assessments*.
- The first consideration is the delivery mode; depending on the type of training and other factors, some modes might be better than others.
- Budget is a consideration in developing training. The cost of materials, but also the cost of time, should be considered.
- The delivery style must take into account people's individual learning styles. The amount of lecture, discussion, role plays, and activities are considered part of delivery style.
- The audience for the training is an important aspect when developing training. This can allow the training to be better developed to meet the needs and the skills of a particular group of people.
- The content obviously is an important consideration. Learning objectives and goals for the training should be developed before content is developed.
- After content is developed, understanding the time constraints is an important aspect. Will the training take one hour or a day to deliver? What is the time line consideration in terms of when people should take the training?
- Letting people know when and where the training will take place is part of communication.
- The final aspect of developing a training framework is to consider how it will be measured. At the end, how will you know if the trainees learned what they needed to learn?
- A career development process can help retain good employees. It involves creating a specific program in which employee goals are identified and new training and opportunities are identified and created to help the employee in the career development process.

Exercises

1. Develop a rough draft of a training framework using Figure 7.5.1 for a job you find on Monster.com.
2. Write three learning objectives you think would be necessary when developing orientation training for a receptionist in an advertising firm.
3. Why is a career development plan important to develop personally, even if your company doesn't have a formal plan in place? List at least three reasons and describe.

¹“What's YOUR Learning Style?” adapted from *Instructor Magazine*, University of South Dakota, August 1989, accessed July 28, 2010, <http://people.usd.edu/~bwjames/tut/learning-style/>.

²“Oakwood Worldwide Honored by Training Magazine for Fifth Consecutive Year Training also Presents Oakwood with Best Practice Award,” press release, February 25, 2011, *Marketwire*, accessed February 26, 2011, <http://www.live-pr.com/en/oakwood->

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CHAPTER OVERVIEW

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[8.3: Developing a Compensation Package](#)

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8.1: Introduction

Matching Compensation with Core Values

As you sit down to review the compensation package your company offers, one thing that stands out is that your compensation package no longer matches the core values of your organization. When your organization merged five years ago with a similar firm that specializes in online shoe retailing, your company had to hire hundreds of people to keep up with growth. As a result—and what happens with many companies—the compensation plans are not revised and revisited as they should be. The core values your company adopted from the merging company focused on customer service, freedom to work where employees felt they could be most productive, and continuing education of employees, whether or not the education was related to the organization. The compensation package, providing the basic salary, health benefits, and 401(k) plans, seems a bit old-fashioned for the type of company yours has become.

After reviewing your company's strategic plan and your human resource management (HRM) strategic plan, you begin to develop a compensation plan that includes salary, health benefits, and 401(k) plans, but you feel it might be smart to better meet the needs of your employees by making some changes to these existing plans. For example, you are considering implementing a team bonus program for high customer service ratings and coverage for alternative forms of medicine, such as acupuncture and massage. Instead of guessing what employees would like to see in their compensation packages, you decide to develop a compensation survey to assess what benefits are most important to your employees. As you begin this task, you know it will be a lot of work, but it's important to the continued recruitment, retention, and motivation of your current employees.

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8.2: Goals of a Compensation Plan

Learning Objectives

1. Be able to explain the goals of a compensation plan.

So far, we have discussed the process for strategic plan development and the recruitment and selection process. The next aspect of HRM is to develop compensation plans that will help in the recruitment and retention of employees. This is the topic of this chapter.



Figure 8.2.1: The goal of a compensation plan is not only to attract people, but to retain them. johnhain – Pixabay – CC0 public domain.

Most of us, regardless of how much we enjoy our jobs, would not perform them without some form of compensation. While many people equate compensation solely with a paycheck, in the context of human resource management (HRM), compensation encompasses a much broader range of rewards. A comprehensive compensation package may include base pay, health-care benefits, retirement plans such as 401(k), and other perks designed to attract and retain talent. These elements will be explored in detail throughout this chapter.

Before diving into the specifics of compensation structures, it is important to recognize the professional development opportunities available in this field. HR practitioners can pursue specialized courses and certifications through **WorldatWork**, a globally recognized association for total rewards professionals. These certifications validate expertise in compensation strategy and design, benefits administration, and executive pay governance. Historically, WorldatWork has offered credentials such as:

- **Certified Compensation Professional (CCP®)**
- **Certified Benefits Professional (CBP®)**
- **Certified Sales Compensation Professional (CSCP®)**
- **Certified Executive Compensation Professional (CECP®)**

These credentials remain relevant today. As of 2025, WorldatWork continues to offer all four certifications, each updated to reflect modern practices such as pay transparency, global remuneration strategies, and the integration of AI-driven analytics in compensation planning (WorldatWork, 2025a; WorldatWork, 2025b). For example, the **CCP®** program now emphasizes compliance with pay equity laws and the use of data analytics in compensation decisions. Similarly, the **CBP®** certification incorporates emerging trends in employee well-being and flexible benefits design. The **CSCP®** credential focuses on aligning sales incentives with organizational goals, while the **CECP®** addresses complex executive pay structures and governance requirements.

In addition to these, WorldatWork offers the **Global Remuneration Professional (GRP®)** designation for practitioners managing multinational compensation programs (Morgan International, 2025). These certifications are widely recognized by employers and serve as benchmarks for professional competence in the HR field.

Why Certifications Matter

For HR students and professionals, earning these credentials demonstrates mastery of specialized knowledge and commitment to ethical and strategic compensation practices. Certifications also enhance career mobility and credibility, making them a valuable investment for those pursuing leadership roles in total rewards management.

These certifications involve taking a multiple-choice exam online or at one of the WorldatWork testing locations. The exams test for knowledge, experience, and skills in each of the compensation certification areas and can be a valuable asset to you when applying for HR positions.

The certifications are based on many of the aspects of this chapter, including understanding the goals of compensation packages for employees, which is our focus for this section.

First, the compensation package should be positive enough to attract the best people for the job. An organization that does not pay as well as others within the same industry will likely not be able to attract the best candidates, resulting in a poorer overall company performance.

Once the best employees and talent come to work for your organization, you want the compensation to be competitive enough to motivate people to stay with your organization. Although we know that compensation packages are not the only thing that motivates people, compensation is a key component.

Third, compensation can be used to improve morale, motivation, and satisfaction among employees. If employees are not satisfied, this can result not only in higher turnover but also in poor quality of work for those employees who do stay. A proper compensation plan can also increase loyalty in the organization.

Pay systems can also be used to reward individual or team performance and encourage employees to work at their own peak performance. In fact, in the 2011 list of the Best Companies to Work For by *Fortune* magazine, all the companies who topped the list (SAS and Boston Consulting Group, for example) had satisfied employees—not only with their pay, but their entire benefits package (Great Places to Work, 2025)

With an appropriate pay system, companies find that customer service is better because employees are happier. In addition, having fairly compensated, motivated employees not only adds to the bottom line of the organization but also facilitates organizational growth and expansion. Motivated employees can also save the company money indirectly, by not taking sick days when the employee isn't really sick, and companies with good pay packages find fewer disability claims as well.

So far, our focus on HRM has been a strategic focus, and the same should be true for development of compensation packages. Before the package is developed for employees, it's key to understand the role compensation plays in the bottom line of the organization. For example, in FY 2024, the U.S. Department of Defense budget included approximately \$168.3 billion in Military Personnel funding (pay and related personnel costs) within the DoD discretionary budget (roughly one-fifth of the DoD discretionary budget) (Office of the Under Secretary of Defense, 2023). This shows that personnel expenses continue to represent a major share of organizational budgets. In many industries, labor costs are often one of the largest operating expenses, depending on the type of organization and the services it provides. As a result, it is easy to see why the compensation plan should be an important aspect of the overall HRM strategic plan. The next few sections will detail the aspects of creating the right compensation packages for your organization, including legal considerations.

? Human Resource Recall

If you have had or currently have a job, do you feel the compensation plan motivated you? Why or why not?

Key Takeaways

- A compensation package is an important part of the overall strategic HRM plan, since much of the company budget is for employee compensation.
- A *compensation package* can include salary, bonuses, health-care plans, and a variety of other types of compensation.
- The goals of compensation are to attract people to work for your organization and to retain people who are already working in the organization.
- Compensation is also used to motivate employees to work at their peak performance and improve morale.

- Employees who are fairly compensated tend to provide better customer service, which can result in organizational growth and development.

Exercise

1. Visit a website that gives salary information for a variety of jobs, such as <http://www.salary.com>. Using the search box, type in your ideal job and research salary information. What is the median salary for the job you searched? What is the lowest salary you would be willing to accept for this job? At which point would you be completely satisfied with the pay for this job?

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8.3: Developing a Compensation Package

Learning Objectives

1. Be able to explain the internal and external considerations of compensation package development.
2. Know how to develop a compensation philosophy.

There are a few basic aspects of compensation packages we should discuss before moving into the specific aspects of compensation. These foundations can assist in the development of a compensation strategy that meets the goals of your organization and is in line with your strategic plan.

Before beginning work on your compensation packages, some analysis should be done to determine your organization's philosophy in regard to compensation. Before development of your compensation philosophies, there are some basic questions to address on your current compensation packages.

1. From the employee's perspective, what is a fair wage?
2. Are wages too high to achieve financial health in your organization?
3. Do managers and employees know and buy-into your compensation philosophy?
4. Does the pay scale reflect the importance of various job titles within the organization?
5. Is your compensation good enough to retain employees?
6. Are state and federal laws being met with your compensation package?
7. Is your compensation philosophy keeping in line with labor market changes, industry changes, and organizational changes?

Once these basic questions are addressed, we can see where we might have “holes” in our compensation package and begin to develop new philosophies in line with our strategic plan, which benefits the organization. Some possible compensation policies might include the following:

1. Are salaries higher or lower depending on the location of the business? For example, physician compensation can vary widely by region. In its 2025 Physician Compensation Report, Doximity reported that the metro area with the highest average physician compensation in 2024 was Rochester, Minnesota (\$495,532), illustrating how geography and labor market conditions can create major pay differences.
2. Are salaries lower or higher than the average in your region or area? If the salary is lower, what other benefits will the employee receive to make up for this difference? For example, wages might not be as high, but offering flextime or free day care might offset the lower salary.
3. Should there be a specific pay scale for each position in the organization, or should salaries be negotiated on an individual basis? If there is no set pay scale, how can you ensure individual salary offers are fair and nondiscriminatory?
4. What balance of salary and other rewards, such as bonuses, should be part of your compensation package? For example, some organizations prefer to offer a lower salary, but through bonuses and profit sharing, the employee has the potential to earn more.
5. When giving raises, will the employee's tenure be a factor, or will pay increases be merit based only, or a combination of both?

Let's discuss some internal and external factors in determining compensation in more detail.

Internal and External Pay Factors

Some organizations choose a market compensation policy, market plus, or market minus philosophy:

- A market compensation policy means paying the typical going rate for a job in a given labor market, based on salary surveys and compensation research.
- A market plus philosophy pays above the market rate (for example, 5% higher than the median) to attract or retain highly competitive talent.
- A market minus philosophy pays below the market rate (for example, 5% lower) and may depend on other factors—such as benefits, workplace culture, or career development opportunities—to attract employees.

For example, if a job category has a median market pay of \$57,000, an organization using a market plus 5% philosophy would offer \$59,850, while a market minus 5% philosophy would offer \$54,150.

Market-Based Compensation

Many organizations communicate their compensation goals directly to employees. For example, the University of Arizona Human Resources explains that its compensation program is designed to attract, retain, and reward employees while remaining financially feasible, competitive, and internally equitable (University of Arizona Human Resources, 2025):

In order to fulfill its mission, the University of Arizona shall maintain a compensation program directed toward attracting, retaining, and rewarding a qualified and diverse workforce. Within the boundaries of financial feasibility, employee compensation shall be externally competitive and internally equitable, and shall be based upon performance as recognized within the work unit.

In addition to their compensation philosophy, the university lists compensation objectives, such as “average salaries will be targeted at the average salary levels of employees in comparable positions in our various labor markets.” This is a good example of a market compensation philosophy, where pay goals are tied to labor-market comparisons and internal fairness.

Market Plus Compensation

Organizations in highly competitive industries may choose a **market plus** philosophy because they need to attract and retain specialized talent. This is common in fields such as technology, engineering, data analytics, and cybersecurity. In these environments, employers may use higher salaries, signing bonuses, or equity incentives to remain competitive.

A market plus approach is often used when a company must compete for top talent and cannot easily replace key employees.

Market Minus Compensation

Some organizations may follow a **market minus** philosophy to support business values or cost control. For example, Whole Foods has long been known for using compensation practices that emphasize transparency and limiting pay gaps. Whole Foods has stated that it caps executive compensation at 19 times the average employee pay, which is far below the ratios historically found in many large corporations.

John Mackey (Whole Foods cofounder) has argued that large pay disparities can negatively affect workplace morale and trust. In organizations where employees feel compensation is unfair, engagement and retention may suffer.

However, it is important to note that a market minus strategy works best when combined with strong culture, meaningful benefits, and opportunities for employee growth.

Why Organizations Choose Different Pay Philosophies

There are many reasons an organization might choose one pay philosophy over another:

- A **market minus** philosophy may align with core values or cost constraints, or with jobs that are less specialized and easier to fill.
- A **market plus** philosophy may be necessary when jobs require hard-to-find skills and strong performance is critical to business success.
- A **market compensation** approach may be preferred by organizations focused on balancing competitiveness, internal equity, and financial stability.

Other internal pay factors include the organization’s **ability to pay**, the **type of industry**, and the **value of specific roles** to organizational success. In addition, the presence of a **union** may lead to negotiated wage structures and set pay scales.

External Pay Factors

External forces have a major influence on compensation decisions because they shape how easy (or difficult) it is to recruit and retain employees. Today, organizations monitor external pay factors more frequently than in the past and often adjust compensation strategies in response to fast-changing labor market conditions.

Common external pay factors include:

- Labor market competition: Pay rates are strongly affected by how many employers are hiring for similar roles in the same region or industry. When demand for certain skills is high (such as healthcare, skilled trades, technology, and transportation), wages often increase as employers compete for talent.
- Economic conditions and workforce availability: Local and national economic shifts can impact hiring needs, employee turnover, and wage growth. Even when organizations want to raise pay, they may face limits based on economic uncertainty or funding restrictions.
- Inflation and cost of living: Rising costs for housing, transportation, food, and healthcare often put pressure on employers to increase wages, provide cost-of-living adjustments (COLAs), or expand benefits. Organizations may also use regional pay differentials to remain competitive in higher-cost areas.
- Remote and hybrid work trends: Remote work has changed how organizations define the “labor market.” Some companies set pay based on employee location, while others pay based on national market rates for hard-to-fill roles. This has created new compensation challenges around fairness, consistency, and budgeting.
- Pay transparency expectations: More employers are now influenced by pay transparency practices—such as posting salary ranges in job ads and creating clearer pay grades—which can impact recruiting success and internal employee trust.
- Legal and regulatory requirements: Minimum wage laws, pay equity laws, overtime rules, and reporting requirements can shape how compensation systems are designed and how pay decisions are documented.
- Industry wage trends and benchmark data: Employers often rely on external salary surveys and benchmarking tools to keep pay competitive. These tools help HR determine whether wages align with current market rates for similar jobs.

Once an organization has considered these external forces—along with internal pay factors—it can begin developing a compensation system that supports both employee needs and organizational sustainability.

Key Takeaways

- Compensation planning is a strategic HR function because wages and benefits directly affect an organization’s ability to recruit, retain, and motivate employees while staying within budget.
- Before designing a pay system, HR must consider key questions such as what employees view as fair pay, what the organization can afford, and what compensation is needed to remain competitive in the labor market.
- Organizations typically establish a compensation philosophy (market, market plus, or market minus) to guide pay decisions and support consistency across departments and locations.
- Internal equity remains important, but external conditions strongly influence pay. Today’s compensation strategies are shaped by factors such as:
 - competitive labor markets and skill shortages
 - inflation and cost-of-living pressures
 - remote and hybrid work structures
 - pay transparency expectations and laws
 - industry wage trends and benchmarking data
- Modern pay systems often include more than base pay. Total compensation may involve:
 - incentives or bonuses
 - health insurance and retirement benefits
 - flexible scheduling and paid time off
 - professional development opportunities
 - wellness or employee assistance programs
- HR professionals must monitor pay practices regularly and make adjustments when needed to maintain competitiveness, support fairness, and reduce turnover.
- Once pay philosophy and external/internal factors are evaluated, HR can design a compensation system that fits the organization’s size, mission, workforce, and industry, while meeting legal requirements and supporting long-term financial stability.

Exercise

1. Think of your current organization or a past organization. What do you think their pay policy is/was? Describe and analyze whether you think it was or is effective. If you haven't worked before, perform an Internet search on pay policies and describe/analyze the pay policy of an organization.

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8.4: Types of Pay Systems

Learning Objectives

1. Explain types of job evaluation systems and their uses.
2. Be able to define and discuss the types of pay systems and factors determining the type of pay system used.
3. Know the laws relating to compensation.

Once you have determined your compensation strategy based on internal and external factors, you will need to evaluate jobs, develop a pay system, and consider pay theories when making decisions. Next, you will determine the mix of pay you will use, taking into consideration legal implications.

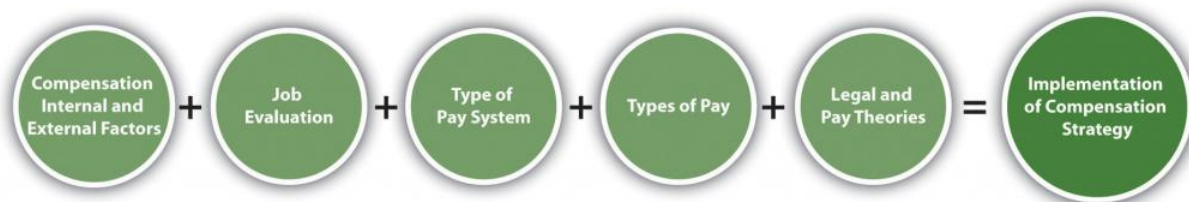


Figure 8.4.1: The Process for Implementing Compensation Strategy. (CC-BY-NC-SA This work)

Job Evaluation Systems

As mentioned when we discussed internal and external factors, the value of the job is a major factor when determining pay. There are several ways to determine the value of a job through job evaluation. Job evaluation is defined as the process of determining the relative worth of jobs to determine pay structure. Job evaluation can help us determine if pay is equitable and fair among our employees. There are several ways to perform a job evaluation. One of the simplest methods, used by smaller companies or within individual departments, is a job ranking system. In this type of evaluation, job titles are listed and ranked in order of importance to the organization. A paired comparison can also occur, in which individual jobs are compared with every other job, based on a ranking system, and an overall score is given for each job, determining the highest-valued job to the lowest-valued job. For example, in Table 6.1 “Example of a Paired Comparison for a Job Evaluation”, four jobs are compared based on a ranking of 0, 1, or 2. Zero indicates the job is less important than the one being compared, 1 means the job is about the same, and 2 means the job is more important. When the scores are added up, it is a quick way to see which jobs are of more importance to the organization. Of course, any person creating these rankings should be familiar with the duties of all the jobs. While this method may provide reasonably good results because of its simplicity, it doesn’t compare differences between jobs, which may have received the same rank of importance.

Table 8.4.1 Example of a Paired Comparison for a Job Evaluation

Job	Receptionist	Project Manager	Account Manager	Sales	Director
Receptionist	X	0	0	0	0 = 4th
Project Administrative Assistant	1	X	0	0	1 = 3rd
Account Manager	2	1	X	0	3 = 2nd
Sales Director	2	2	2	X	6 = 1st

Based on the paired ranking system, the sales director should have a higher salary than the project administrative assistant, because the ranking for that job is higher. Likewise, a receptionist should be paid less than the project administrative assistant because this job ranks lower.

Table 8.4.2.

Table 8.4.2 Example of a Job Classification System at the University of Washington

Job Code	Job Title	State Job Class Code Reference	Representative Group	Pay Table	Pay Range	Minimum Mo. Rate	Maximum Mo. Incremental Rate	OT Eligible
7715	ACCELERATOR TECHNICIAN 1		SEIU Local 925 Clerical Nonsupervisory	B4	40	\$2689	\$3583	Y
7300	ACCOUNTANT 1		SEIU Local 925 Clerical Nonsupervisory	B4	40	\$2689	\$3583	Y
7301	ACCOUNTANT 2		SEIU Local 925 Clerical Nonsupervisory	B4	44	\$2949	\$3956	N
7302	ACCOUNTANT, SENIOR		SEIU Local 925 Clerical Nonsupervisory	B4	50	\$3410	\$4587	N
7011	ACCOUNTING SUPERVISOR		SEIU Local 925 Clerical Supervisory	B4	50	\$3410	\$4587	N
7045	ADMINISTRATIVE ASSISTANT A		SEIU Local 925 Clerical Nonsupervisory	B4	39	\$2623	\$3493	Y
7044	ADMINISTRATIVE ASSISTANT A-SUPV		SEIU Local 925 Clerical Supervisory	B4	41	\$2751	\$3667	Y
7046	ADMINISTRATIVE ASSISTANT B		SEIU Local 925 Clerical Supervisory	B4	42	\$2816	\$3763	Y
7080	ADMINISTRATIVE COORDINATOR		SEIU Local 925 Clerical Nonsupervisory	B4	37	\$2506	\$3325	Y
7490	ADMISSIONS SPECIALIST		SEIU Local 925 Clerical Nonsupervisory	B4	41	\$2751	\$3667	Y

Source: Reprinted from The University of Washington website, Compensation: A Division of Human Resources, www.washington.edu/admin/hr/ocpsp/compensation/alpha.sort.files/alpha.sort.html (accessed September 14, 2011).

Job Code	Job Title	State Job Class Code Reference	Representative Group	Pay Table	Pay Range	Minimum Mo. Rate	Maximum Mo. Incremental Rate	OT Eligible
7583	AFFIRMATIVE ACTION/HUMAN RIGHTS ASST		SEIU Local 925 Clerical Nonsupervisory	B4	41	\$2751	\$3667	Y
8696	ALCOHOLISM THERAPIST 1		WFSE HMC	B0	56	\$3507	\$5021	Y
6119	ALCOHOLISM THERAPIST 2	359F	Classified Non-Union	C0	63	\$3761	\$5224	Y
6329	ANATOMICAL PATHOLOGY LABORATORY LEAD	315H	Classified Non-Union	C0	73	\$4154	\$5771	Y
6328	ANATOMICAL PATHOLOGY LABORATORY SUPERVISOR	315I	Classified Non-Union	C0	79	\$4412	\$6126	N
8146	ANATOMICAL PATHOLOGY TECHNICIAN		SEIU Local 925-HMC Technical	B7	55	\$3472	\$4822	Y
8326	ANATOMICAL PATHOLOGY TECHNICIAN		SEIU LOCAL 925 Medical/Laboratory Tech	B7	55	\$3472	\$4822	Y
8145	ANATOMI		SEIU Local	B7	40	\$2991	\$4155	Y

Source: Reprinted from The University of Washington website, Compensation: A Division of Human Resources, www.washington.edu/admin/hr/ocpsp/compensation/alpha.sort.files/alpha.sort.html (accessed September 14, 2011).

Job Code	Job Title	State Job Class Code Reference	Representative Group	Pay Table	Pay Range	Minimum Mo. Rate	Maximum Mo. Incremental Rate	OT Eligible
	C PATHOLOG Y TECHNICI AN TRAINEE		925-HMC Technical					
8325	ANATOMI C PATHOLOG Y TECHNICI AN TRAINEE		SEIU LOCAL 925 Medical/Lab oratory Tech	B7	40	\$2991	\$4155	Y
8147	ANATOMI C PATHOLOG Y TECHNOL OGIST		SEIU Local 925-HMC Technical	B7	66	\$3874	\$5383	Y
8327	ANATOMI C PATHOLOG Y TECHNOL OGIST		SEIU LOCAL 925 Medical/Lab oratory Tech	B7	66	\$3874	\$5383	Y
6313	ANESTHES IOLOGY TECHNICA L SERVICES SUPV	320H	Classified Non-Union	CA	61	\$3686	\$5277	N
6310	ANESTHES IOLOGY TECHNICI AN 1	320E	Classified Non-Union	CA	13	\$2287	\$3271	Y
8711	ANESTHES IOLOGY TECHNICI AN 1		WFSE HMC	BA	10	\$2219	\$3271	Y
8312	ANESTHES IOLOGY		SEIU LOCAL 925	BS	46	\$3344	\$4933	Y

Source: Reprinted from The University of Washington website, Compensation: A Division of Human Resources, www.washington.edu/admin/hr/ocpsp/compensation/alpha.sort.files/alpha.sort.html (accessed September 14, 2011).

Job Code	Job Title	State Job Class Code Reference	Representative Group	Pay Table	Pay Range	Minimum Mo. Rate	Maximum Mo. Incremental Rate	OT Eligible
	TECHNICIAN 2		Medical/Laboratory Tech					
8960	ANESTHESIOLOGY TECHNICIAN 2		1199NW-HMC Respiratory/Anesthesiology	BS	46	\$3344	\$4933	Y
6311	ANESTHESIOLOGY TECHNICIAN LEAD	320G	Classified Non-Union	CA	52	\$3370	\$4826	Y
8959	ANESTHESIOLOGY TECHNICIAN LEAD		1199NW-HMC Respiratory/Anesthesiology	BS	53	\$3585	\$5288	Y
7724	ANIMAL TECHNICIAN 1		SEIU Local 925 Clerical Nonsupervisory	B4	25	\$1903	\$2506	Y
7725	ANIMAL TECHNICIAN 2		SEIU Local 925 Clerical Nonsupervisory	B4	26	\$1948	\$2567	Y
7726	ANIMAL TECHNICIAN 3		SEIU Local 925 Clerical Nonsupervisory	B4	30	\$2134	\$2816	Y
4727	ANIMAL TECHNICIAN SUPERVISOR	525H	Classified Non-Union	C1	35	\$2370	\$3063	Y
4658	ASSISTANT FACILITIES DESIGNER	540L	Classified Non-Union	C1	48	\$3213	\$4214	Y
8874	ASSISTANT STEAM		WFSE Skilled	BL	46G	\$3566	\$4106	Y

Source: Reprinted from The University of Washington website, Compensation: A Division of Human Resources, www.washington.edu/admin/hr/ocpsp/compensation/alpha.sort.files/alpha.sort.html (accessed September 14, 2011).

Job Code	Job Title	State Job Class Code Reference	Representative Group	Pay Table	Pay Range	Minimum Mo. Rate	Maximum Mo. Incremental Rate	OT Eligible
	ENGINEER		Trades					
8507	BAKER		WFSE Campuswide	BI	30	\$2113	\$2789	Y
8508	BAKER LEAD		WFSE Campuswide	BI	33	\$2266	\$2994	Y
4700	BIOMEDICAL ELECTRONICS TECHNICIAN 1	511E	Classified Non-Union	CA	54	\$3438	\$4924	Y
4701	BIOMEDICAL ELECTRONICS TECHNICIAN 2	511F	Classified Non-Union	CA	68	\$3954	\$5659	Y
4702	BIOMEDICAL ELECTRONICS TECHNICIAN 3	511G	Classified Non-Union	CA	78	\$4368	\$6249	Y
4703	BIOMEDICAL ELECTRONICS TECHNICIAN LEAD	511H	Classified Non-Union	CA	83	\$4591	\$6568	Y
4704	BIOMEDICAL ELECTRONICS TECHNICIAN SUPV	511I	Classified Non-Union	CA	88	\$4826	\$6903	N
8875	BOILER OPERATOR		WFSE Skilled Trades	BL	42G	\$3247	\$3736	Y

Source: Reprinted from The University of Washington website, Compensation: A Division of Human Resources, www.washington.edu/admin/hr/ocpsp/compensation/alpha.sort.files/alpha.sort.html (accessed September 14, 2011).

Job Code	Job Title	State Job Class Code Reference	Representative Group	Pay Table	Pay Range	Minimum Mo. Rate	Maximum Mo. Incremental Rate	OT Eligible
7613	BOOK PRODUCTION COORDINATOR		SEIU Local 925 Clerical Nonsupervisory	B4	44	\$2949	\$3956	Y
7075	BOOKKEEPING MACHINE OPERATOR		SEIU Local 925 Clerical Nonsupervisory	B4	29	\$2088	\$2751	Y
7550	BROADCAST TECHNICIAN 1		SEIU Local 925 Clerical Nonsupervisory	B4	41	\$2751	\$3667	Y
7551	BROADCAST TECHNICIAN 2		SEIU Local 925 Clerical Nonsupervisory	B4	47	\$3166	\$4255	Y
7552	BROADCAST TECHNICIAN 3		SEIU Local 925 Clerical Nonsupervisory	B4	51	\$3493	\$4699	Y
7553	BROADCAST TECHNICIAN SUPERVISOR		SEIU Local 925 Clerical Supervisory	B4	55	\$3856	\$5186	N
7335	BUDGET ANALYST		SEIU Local 925 Clerical Nonsupervisory	B4	42	\$2816	\$3763	Y
7336	BUDGET/FISCAL ANALYST		SEIU Local 925 Clerical Nonsupervisory	B4	46	\$3093	\$4154	N
7337	BUDGET/FISCAL ANALYST LEAD		SEIU Local 925 Clerical Nonsupervisory	B4	51	\$3493	\$4699	N
7339	BUDGET/FISCAL ANALYST		SEIU Local 925 Clerical Nonsupervisory	B4	57	\$4053	\$5448	N

Source: Reprinted from The University of Washington website, Compensation: A Division of Human Resources, www.washington.edu/admin/hr/ocpsp/compensation/alpha.sort.files/alpha.sort.html (accessed September 14, 2011).

Job Code	Job Title	State Job Class Code Reference	Representative Group	Pay Table	Pay Range	Minimum Mo. Rate	Maximum Mo. Incremental Rate	OT Eligible
	ISCAL OPERATIONS SUPERVISOR		925 Clerical Supervisory					
7338	BUDGET/FISCAL UNIT SUPERVISOR		SEIU Local 925 Clerical Supervisory	B4	54	\$3763	\$5059	N
7021	BUILDING SERVICES COORDINATOR		SEIU Local 925 Clerical Nonsupervisory	B4	33	\$2289	\$3023	Y
7022	BUILDING SERVICES SUPERVISOR		SEIU Local 925 Clerical Supervisory	B4	38	\$2567	\$3410	Y
5215	BUILDINGS AND GROUNDS SUPERVISOR A	598G	Classified Non-Union	C1	49	\$3293	\$4322	N
5216	BUILDINGS AND GROUNDS SUPERVISOR B	598H	Classified Non-Union	C1	55	\$3819	\$5010	N
7119	BUYER 1		SEIU Local 925 Clerical Nonsupervisory	B4	38	\$2567	\$3410	Y
7120	BUYER 2		SEIU Local 925 Clerical Nonsupervisory	B4	44	\$2949	\$3956	Y
7122	BUYER 3		SEIU Local 925 Clerical Nonsupervisory	B4	49	\$3325	\$4472	N

Source: Reprinted from The University of Washington website, Compensation: A Division of Human Resources, www.washington.edu/admin/hr/ocpsp/compensation/alpha.sort.files/alpha.sort.html (accessed September 14, 2011).

<https://biz.libretexts.org/@go/page/147097>

One of the downsides to pay grading is the possible lack of motivation for employees to work harder. They know even if they perform tasks outside their job description, their pay level or pay grade will be the same. This can incubate a stagnant environment. Sometimes this system can also create too many levels of hierarchy. For large companies, this may work fine, but smaller, more agile organizations may use other methods to determine pay structure. For example, some organizations have moved to a delayering and banding process, which cuts down the number of pay levels within the organization. General Electric delayered pay grades in the mid-1990s because it found that employees were less likely to take a reassignment that was at a lower pay grade, even though the assignment might have been a good development opportunity (Ferris, 1995). So, delayering enables a broader range of pay and more flexibility within each level. Sometimes this type of process also occurs when a company downsizes. Let's assume a company with five hundred employees has traditionally used a pay grade model but decided to move to a more flexible model. Rather than have, say, thirty pay levels, it may reduce this to five or six levels, with greater salary differentials within the grades themselves. This allows organizations to better reward performance, while still having a basic model for hiring managers to follow.

2011 Base General Schedule Pay Scale

RATES FROZEN AT 2010 LEVELS

EFFECTIVE JANUARY 2, 2011

Note: The following is a **BASE** pay scale. All U.S. locations (including Hawaii and Alaska) receive additional pay adjustments **above** the base pay ranging from **14.16%** to **35.15%**. To see the adjustment and pay scale for your location, scroll down the page and click on the location of your choice!

Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 10	Step 9	WITHIN GRADE AMOUNTS
1	17803	18398	18990	19579	20171	20519	21104	21694	21717	22269	VARIES
2	20017	20493	21155	21717	21961	22607	23253	23899	24545	25191	VARIES
3	21840	22568	23296	24024	24752	25480	26208	26936	27664	28392	728
4	24518	25335	26152	26969	27786	28603	29420	30237	31054	31871	817
5	27431	28345	29259	30173	31087	32001	32915	33829	34743	35657	914
6	30577	31596	32615	33634	34653	35672	36691	37710	38729	39748	1019
7	33979	35112	36245	37378	38511	39644	40777	41910	43043	44176	1133
8	37631	38885	40139	41393	42647	43901	45155	46409	47663	48917	1254
9	41563	42948	44333	45718	47103	48488	49873	51258	52643	54028	1385
10	45771	47297	48823	50349	51875	53401	54927	56453	57979	59505	1526
11	50287	51963	53639	55315	56991	58667	60343	62019	63695	65371	1676
12	60274	62283	64292	66301	68310	70319	72328	74337	76346	78355	2009
13	71674	74063	76452	78841	81230	83619	86008	88397	90786	93175	2389
14	84697	87520	90343	93166	95989	98812	101635	104458	107281	110104	2823
15	99628	102949	106270	109591	112912	116233	119554	122875	126196	129517	3321

Pay rates for Senior Executive Service (SES), Senior Level (SL) and Scientific & Professional (ST) positions range from \$119,554 to \$179,700.
NOTE: SL & ST employees receive the appropriate percentage pay adjustment for their area.

Figure 8.4.3: Example Pay Scale for General Federal Jobs. (Public Domain)

Rather than use a pay grade scale, some organizations use a going rate model. In this model, analysis of the going rate for a particular job at a particular time is considered when creating the compensation package. This model can work well if market pressures or labor supply-and-demand pressures greatly impact your particular business. For example, if you need to attract the best project managers, but more are already employed (lack of supply)—and most companies are paying \$75,000 for this position—you will likely need to pay the same or more, because of labor supply and demand. Many tools are available, such as salarywizard.com, to provide going rate information on particular jobs in every region of the United States.



The president of HR That Works provides some tips on determining compensation.

Another pay model is the management fit model. In this model, each manager makes a decision about who should be paid what when that person is hired. The downside to this model may be potential discrimination, halo effects, and resentment within the organization. Of course, these factors can create morale issues, the exact thing we want to avoid when compensating employees.

In addition to the pay level models we just looked at, other considerations might include the following:

1. **Skill-based pay.** With a skill-based pay system, salary levels are based on an employee's skills, as opposed to job title. This method is implemented similarly to the pay grade model, but rather than job title, a set of skills is assigned a particular pay grade.
2. **Competency-based pay.** Rather than looking at specific skills, the competency-based approach looks at the employee's traits or characteristics as opposed to a specific skills set. This model focuses more on what the employee can become as opposed to the skills he or she already has.
3. **Broadbanding.** Broadbanding is similar to a pay grade system, except all jobs in a particular category are assigned a specific pay category. For example, everyone working in customer service, or all administrative assistants (regardless of department), are paid within the same general band. McDonald's uses this compensation philosophy in their corporate offices, stating that it allows for flexibility in terms of pay, movement, and growth of employees (McDonald's Corporation, 2011).
4. **Variable pay system.** This type of system provides employees with a pay basis but then links the attainment of certain goals or achievements directly to their pay. For example, a salesperson may receive a certain base pay but earn more if he or she meets the sales quota.

How Would You Handle This?

You have been working for your organization for five years. After lots of hard work, you are promoted to sales manager. One of your first tasks is to develop goals for your sales team, then create a budget based on these goals. First, you look at the salaries of all the sales staff to find major pay discrepancies. Some salespeople, who perform equally well, are paid much lower than some sales staff whom you consider to be non-performers. As you dig deeper, you see this is a problem throughout the sales team. You are worried this might affect motivation for your team if they find out what others are making. How would you handle this?

Pay Theories

Now that we have discussed pay systems, it is important to look at some theories on pay that can be helpful to know when choosing the type of pay system your organization will use.

The equity theory is concerned with the relational satisfaction employees get from pay and inputs they provide to the organization. It says that people will evaluate their own compensation by comparing their compensation to others' compensation and their inputs to others' inputs. In other words, people will look at their own compensation packages and at their own inputs (the work performed) and compare that with others. If they perceive this to be unfair, in that another person is paid more but they believe that person is doing less work, motivational issues can occur. For example, people may reduce their own inputs and not work as hard. Employees may also decide to leave the organization as a result of the perceived inequity. In HR, this is an important theory to understand, because even if someone is being paid fairly, they will always compare their own pay to that of others in the organization. The key here is perception, in that the fairness is based entirely on what the employee sees, not what may be the actual reality. Even though HR or management may feel employees are being paid fairly, this may not be the employee's belief. In HR, we need to look at two factors related to pay equity: external pay equity and internal pay equity. External pay equity refers to what other people in similar organizations are being paid for a similar job. Internal pay equity focuses on employees within the same organization. Within the same organization, employees may look at higher level jobs, lower level jobs, and years with the organization to make their decision on pay equity. Consider Walmart, for example. In 2010, Michael Duke, CEO of Walmart, earned roughly \$35 million in salary and other compensation (Gomstyn, 2010), while employees earned minimum wage or slightly higher in their respective states. While Walmart contends that its wages are competitive in local markets, the retail giant makes no apologies for the pay difference, citing the need for a specialized skill set to be able to be the CEO of a *Fortune* 500 company. There are hundreds of articles addressing the issue of pay equity between upper level managers and employees of an organization. To make a compensation strategy work, the perceived inputs (the work) and outputs (the pay) need to match fairly.

The expectancy theory is another key theory in relation to pay. The expectancy theory says that employees will put in as much work as they expect to receive. In other words, if the employee perceives they are going to be paid favorably, they will work to achieve the outcomes. If they believe the rewards do not equal the amount of effort, they may not work as hard.

The reinforcement theory, developed by Edward L. Thorndike (Indiana University, 2011), says that if high performance is followed by some reward, that desired behavior will likely occur in the future. Likewise, if high performance isn't followed by a reward, it is less likely the high performance will occur in the future. Consider an extreme example of the reinforcement theory in the world of finance. On Wall Street, bonuses for traders and bankers are a major part of their salary. The average bonus in 2010 was \$128,530 (Smith, 2011), which does not take into account specific commissions on trades, which can greatly increase total compensation. One interesting consideration is the ethical implications of certain pay structures, particularly commission and bonus plans. For example, after the US government bailed out American International Group (AIG) with \$170 billion in 2009, it was reported AIG would still provide some \$165 million in bonuses to the same business unit that brought the company to near collapse, because of contractual issues. Traditionally, a bonus structure is designed to reward performance, rather than be a guaranteed part of the compensation plan, as was the case with AIG. Bonus and commission plans should be utilized to drive desired behavior and act as a reward for the desired behavior, as the reinforcement theory states.

All these theories provide us information to make better decisions when developing our own pay systems. Other considerations are discussed next.

Pay Decision Considerations

Besides the motivational aspect of creating a pay structure, there are some other considerations. First, the size of the organization and the expected expansion of the organization will be a factor. For example, if you are the HR manager for a ten-person company, you likely use a going rate or management fit model. While this is appropriate for your company today, as your organization grows, it may be prudent to develop a more formal pay structure. Ascentium Corporation, based in Seattle, Washington, found this to be the case. When the company started with fewer than fifteen employees, a management fit model was used. As the company ballooned to over five hundred employees in four cities, a pay banding model had to be put into place for fairness.

If your organization also operates overseas, a consideration is how domestic workers will be paid in comparison to the global market. One strategy is to develop a centralized compensation system, which would be one pay system for all employees, regardless of where they live. The downside to this is that the cost of living may be much less in some countries, making the centralized system possibly unfair to employees who live and work in more expensive countries. Another consideration is in what currency employees will be paid. Most US companies pay even their overseas workers in dollars, and not in the local currency where the employee is working. Currency valuation fluctuations could cause challenges in this regard (Watson, 2005).

How you communicate your pay system is extremely important to enhance the motivation that can be created by fair and equitable wage. In addition, where possible, asking for participation from your employees through the use of pay attitude surveys, for example, can create a transparent compensation process, resulting in higher performing employees.

Organizations should develop market pay surveys and review their wages constantly to ensure the organization is within expected ranges for the industry.

? Human Resource Recall

Why do you think a transparent compensation policy is so important to motivating a workforce?

Table 8.4.3: Types of Pay

Pay	Attributes
Salary	Fixed compensation calculated on a weekly, biweekly, or monthly basis. No extra pay for overtime work.
Hourly Wage	Employees are paid on the basis of number of hours worked.
Piecework System	Employees are paid based on the number of items that are produced.
Types of Incentive Plans	Attributes
Commission Plans	An employee may or may not receive a salary but will be paid extra (e.g., a percentage for every sale made).
Bonus Plans	Extra pay for meeting or beating some goal previously determined. Bonus plans can consist of monetary compensation, but also other forms such as time off or gift certificates.
Profit-Sharing Plans	Annual bonuses paid to employees based on the amount of profit the organization earned.
Stock Options	When an employee is given the right to purchase company stock at a particular rate in time. Please note that a stock “option” is different from the actual giving of stock, since the option infers the employee will buy the stock at a set rate, obviously, usually cheaper than the going rate.
Other Types of Compensation	Attributes
Fringe Benefits	This can include a variety of options. Sick leave, paid vacation time, health club memberships, daycare services.
Health Benefits	Most organizations provide health and dental care benefits for employees. In addition, disability and life insurance benefits are offered.
401(k) Plans	Some organizations provide a retirement plan for employees. The company would work with a financial organization to set up the plan so employees can save money, and often, companies will “match” a percentage of what the employee contributes to the plan.

Types of Pay

After a pay system has been developed, we can begin to look at specific methods of paying our employees. Remember that when we talk about compensation, we are referring to not only an actual paycheck but additional types of compensation, such as incentive plans that include bonuses and profit sharing. We can divide our total pay system into three categories: pay, incentives,

and other types of compensation. Pay is the hourly, weekly, or monthly salary an employee earns. An incentive, often called a pay-for-performance incentive, is given for meeting certain performance standards, such as meeting sales targets. The advantage to incentive pay is that company goals can be linked directly to employee goals, resulting in higher pay for the employee and goal achievement by the organization. The following are desirable traits of incentive plans:

- Clearly communicated
- Attainable but challenging
- Easily understandable
- Tied to company goals

Table 8.4.3 illustrates the three types of compensation.

Most organizations use a combination of pay, incentives, and other compensation, as outlined in Table 8.4.3, to develop the total compensation package.

Laws Relating to Pay

As you have already guessed from our earlier chapter discussions, people cannot be discriminated against when it comes to development of pay systems. One issue hotly debated is the issue of comparable worth. Comparable worth states that people should be given similar pay if they are performing the same type of job. Evidence over the years shows this isn't the case, with women earning less than men in many industries. On average, a woman earns 79 cents for every \$1.00 a man earns. For women of color, the gap is wider at 69 cents for African-American women and 59 cents for Latina women (National Organization for Women, 2011). Many publications state that women earn less than men for a few reasons:

1. Women work fewer hours because of family care and maternity leave.
2. The career path or job choice of women tends to be lower as a whole.
3. There is a bias favoring men as the "breadwinners," and therefore they are paid more.
4. Women are valued less than men in the workplace.
5. Women don't negotiate salaries as well as men do.

While the reasons are certainly debatable, there is evidence that young women (without children) entering the workforce actually earn more than their male counterparts, owing to higher levels of education (Dougherty, 2010). The EEOC covers discrimination in the workplace, including pay discrimination based on race, color, religion, sex, and national origin. The Equal Pay Act of 1963 makes it illegal to pay different wages to men and women if they perform equal work in the same workplace.

More recent legislation on pay includes the Lilly Ledbetter Fair Pay Act of 2009, the first law signed by President Obama. This bill amends the Civil Rights Act stating that the 180-day statute of limitations for filing an equal pay lawsuit regarding pay discrimination resets with each discriminatory paycheck. The bill stemmed from a lawsuit against Goodyear Tire and Rubber Company by Lilly Ledbetter, who claimed that her nineteen-year career at the company consisted of unfair pay, compared to male workers in the organization. Her complaint was time barred by the US Supreme Court, and the new act addressed the time (180 days) constraint in which people have to file claims.

The Fair Labor Standards Act, or FLSA, was established in 1938 and set a minimum wage for jobs, overtime laws, and child labor laws. FLSA divides workers into exempt and nonexempt status, and jobs under exempt status do not fall under the FLSA guidelines. An exempt employee is usually paid a salary and includes executive, professional, outside sales, and administrative positions. A nonexempt employee is usually an hourly employee. For nonexempt employees, some states may implement a higher minimum wage than that established by the federal government. For example, in 2011, the minimum wage is \$8.67 per hour in Washington State, while the federal minimum wage is \$7.25 per hour. Obviously, as an HR manager or manager, it is your responsibility to ensure everyone is being paid the minimum wage. This law also requires overtime pay if employees work over forty hours per week. Organizations must also post the FLSA poster in a visible part of the workplace, outlining these laws.

Child labor also falls under FLSA. The goal of these laws is to protect the education of children, prohibit the employment of children in dangerous jobs, and limit the number of working hours of children during the school year and other times of the year (US Department of Labor, 2011).

According to the FLSA, tipped employees are those earning \$30 or more per month in tips, such as servers in a restaurant. Employers whose employees receive more than \$30 in tips may consider tips as part of wages, but they also must pay \$2.12 an hour in direct wages. They must also be able to show that the employee receives at least the applicable minimum wage. If the tips and direct wage do not meet the minimum wage, the employer must pay the difference.

Also relating to pay is the Federal Unemployment Tax Act (FUTA). FUTA provides for payments of unemployment compensation to workers who have lost their jobs. Most employers pay a federal and a state unemployment tax, and portions of these funds go toward unemployment benefits should the worker lose his or her job. The Federal Employees Compensation Act (FECA) provides federal employees injured in the performance of their jobs compensation benefits, such as disability. Please note that this is elective for private companies but required of federal agencies.

Negotiating Salary



On negotiating salary from the perspective of an employee.

Key Takeaways

- A job evaluation system should be used to determine the relative value of one job to another. This is the first step in setting up a pay system.
- Several types of pay systems can be implemented. A *pay grade system* sets up specific pay levels for particular jobs, while a *going rate system* looks at the pay through the industry for a certain job title. *Management fit* gives maximum flexibility for managers to pay what they think someone should earn.
- HR managers can also develop pay systems based on skills and competency and utilize broadbanding, which is similar to pay grades. Another option might include variable pay.
- There are several motivational theories in regard to pay. First, the *equity theory* says that people will evaluate their own satisfaction with their compensation by comparing it to others' compensation. The *expectancy theory* says people will put in only as much work as they expect to receive in rewards. Finally, the *reinforcement theory* says if high performance is followed by a reward, high performance is likely to happen in the future.
- Other pay considerations include the size of the organization, whether the company is global, and the level of communication and employee involvement in compensation. HR managers should always be aware of what others are paying in the industry by performing market surveys.
- There are several laws pertaining to pay. Of course, the EEOC ensures that pay is fair for all and does not discriminate. *FLSA* sets a minimum wage and establishes standards for child labor. *FUTA* requires employers to pay unemployment taxes on employees. *FECA* ensures that federal employees receive certain benefits.

Exercises

1. Name and describe three considerations in developing a pay system. Which do you think is best?
2. Which pay theory do you think is the most important when developing your pay system? Why?
3. Visit <http://www.dol.gov/dol/topic/wages/m...wage.htm> (opens in new window) (please note that sometimes web address change so you may need to search for the information), which publishes minimum wage data for the United States. View the map and

compare your state with the federal minimum wage. Is it higher or lower? Which two states have the highest minimum wage? The lowest?

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8.5: Other Types of Compensation

Learning Objectives

1. Explain the various types of benefits that can be offered to employees.

As you already know, there is more to a compensation package than just pay. There are many other aspects to the creation of a good compensation package, including not only pay but incentive pay and other types of compensation. First, we will discuss benefits that are mandated by the federal government, and then we will discuss types of voluntary benefits, including both incentive pay and other types of compensation.

Mandated: Social Security and Medicare

The Social Security Act of 1935 requires employers to withdraw funds from workers' paychecks to pay for retirement benefits. This is called a payroll tax. Please note that all organizations are legally compelled to offer this benefit. After several revisions, we now call this OASDHI or the Old Age, Survivors, Disability, and Health Insurance Program. To be insured, employees must work forty quarters, with a minimum of \$1,000 earned per quarter. Once this money is put aside, anyone born after 1960 will receive benefits at 67. The OASDHI tax in 2011 is 4.2 percent on earnings for employees, up to \$106,800 and 6.2 percent for the employer up to the same limits. This covers both retirement income as well as medical benefits, called Medicare, once the employee reaches retirement age.

Mandated: Unemployment Insurance and Workers' Compensation

Unemployment insurance is required under the Social Security Act of 1935 and is also called the Federal Unemployment Tax Act (FUTA). This program's goals include providing some lost income for employees during involuntary unemployment, helping workers find a new job, incentivizing employers to continue employment, and developing worker skills if they are laid off. The majority of this plan is funded by employers' payroll taxes, which account for .8 percent per employee. The rate is actually 6.2 percent of compensation, but employers are allowed a tax credit for these payments, which results in the net .8 percent. With this benefit, employees receive unemployment benefits and/or job training when they are laid off or let go from a current job. However, employees would be ineligible to receive these benefits if they quit their job, as it must be involuntary. Just like Social Security, this payroll tax on employers is required.

Some employers also offer workers' compensation benefits. If an employee is hurt on the job, he or she would receive certain benefits, such as a percentage of pay. Jobs are classified into risk levels, and obviously the higher the risk level, the higher the cost of insurance. This is not a federally mandated program, but for some occupations in some states, it may be a requirement.

Mandated: COBRA

While the government does not require companies to provide health-care and medical benefits to employees, the Consolidated Omnibus Budget Reconciliation Act (COBRA) requires companies to allow employees to extend their group coverage for up to thirty-six months. The restrictions for this plan include the requirement of a qualifying event that would mean a loss of benefits, such as termination or reduction in hours. For example, if an employee works forty hours a week with medical insurance, but the schedule is reduced to twenty hours, no longer qualifying him or her for benefits, COBRA would be an option.

Voluntary: Incentive Pay Systems

As we discussed earlier, there are several types of incentive pay systems that can be tied directly to business objectives and the employees' ability to help the company meet those objectives. They include commissions, bonuses, profit sharing, stock options, team pay, and merit pay.

Commissions are usually calculated on the basis of a percentage and earned based on the achievement of specific targets that have been agreed upon by the employee and employer. For example, many salespeople receive commissions from each item sold. Many commission incentive plans require employees to meet a minimum level of sales, who then are paid a commission on each sale beyond the minimum. A straight commission plan is one in which the employee receives no base pay and entire pay is based on

meeting sales goals. Many plans, however, include a base pay and commission for each sale. Base pay is the guaranteed salary the employee earns.

Several types of bonuses can be given to employees as incentive pay. Meeting certain company goals or successfully completing a project or other objectives can be tied to a bonus, which is a one-time payment to an employee. A spot bonus is an unplanned bonus given to an employee for meeting a certain objective. These types of bonuses do not always have to be money; they can be other forms such as a gift certificate or trip. Fifty-eight percent of WorldatWork members (WorldatWork, 2000) said that they provide spot bonuses to employees for special recognition above and beyond work performance.

Some organizations choose to reward employees financially when the organization as a whole performs well, through the use of profit sharing as an incentive. For example, if an organization has a profit-sharing program of 2 percent for employees, the employees would earn 2 percent of the overall profit of the company. As you have guessed, this can be an excellent incentive for employees to both work as a team and also monitor their own personal performance so as not to let down the team. For example, in 2011, US automaker General Motors gave one of its highest profit-sharing payouts ever. Forty-five thousand employees received \$189 million in a profit-sharing bonus, which equaled about \$4,200 per person (Bunkley, 2011). While profit sharing can be a great incentive, it can also be a large expense that should be carefully considered.

Employee ownership of the organization is similar to profit sharing but with a few key differences. In this type of plan, employees are granted stock options, which allow the employees to buy stock at a fixed price. Then if the stock goes up in value, the employee earns the difference between what he or she paid and the value of the stock. With this type of incentive, employees are encouraged to act in the best interest of the organization. Some plans, called employee stock ownership plans, are different from stock options, in that in these plans the employee is given stock as reward for performance.



Figure 8.5.1: Profit sharing and stock ownership can be a good way to motivate employees to work toward the goals of the organization. (Chris Potter – 3D Budget Pie Chart – CC BY 2.0.)

In a smaller organization, team pay or group incentives can be popular. In this type of plan, if the group meets a specified goal, such as the increase of sales by 10 percent, the entire group receives a reward, which can consist of additional pay or bonus. Please note that this is different from individualized bonuses, discussed earlier, since the incentive is a reward for the group as opposed for the individual.

Merit pay is a pay program that links pay to how well the employee performs within the job, and it is normally tied to performance appraisals. Merit base is normally an annual pay increase tied to performance. The problem with merit pay is that it may only be received once per year, limiting incentive flexibility. To make merit pay work, performance guidelines should be predetermined. Some organizations offer cost of living annual increases (COLAs), which is not tied to merit but is given to employees as an annual inflationary increase.

Fortune 500 Focus

While the cost of health insurance premiums may be going up for most Americans, these premiums do not hit the individual employee's pocketbook at Microsoft. Microsoft, based in Redmond, Washington, finds itself once again on the *Fortune* 500 Best Companies to Work For list in several areas, including paying for 100 percent of employees' health-care premiums¹. In addition to cutting this cost for employees, Microsoft also offers domestic partner benefits, one of the first *Fortune* 500

companies to do so. In 2005, Microsoft also began to offer partial coverage for transgender surgery to its existing health-care coverage, which earned Microsoft the highest attainable score by the Human Rights Campaign (HRC) Equality Index (GLEAM, 2011). Microsoft also promotes fitness and wellness as part of its health-care plan, providing an on-site fitness center and subsidized gym memberships.

Voluntary: Medical Insurance

According to the Bureau of Labor Statistics, 62 percent of companies in 2010 offered health-care benefits to employees (US Bureau of Labor Statistics, 2010). The yearly cost for employee medical insurance averages \$9,552, according to the 2009 Towers Perrin survey (Watson, 2009). With such a significant cost to companies, it is up to HR managers to contain these costs, while not negatively affecting employee motivation. Medical insurance usually includes hospital expenses, surgical expenses, and routine health-care visits. Most insurance plans also allow for wellness visits and other alternative care (e.g., massage and acupuncture) within the plans. Many employers also offer vision and dental care benefits as part of their benefits packages. Disability insurance is also provided by some employers as well. We will discuss each of these in detail next.

One important law to keep in mind regarding medical insurance is the Health Insurance Portability and Accountability Act (HIPAA) of 1996. It provides federal protections for personal health information held by covered entities, such as employers. In other words, employers cannot divulge or share health care information they may have on an employee.

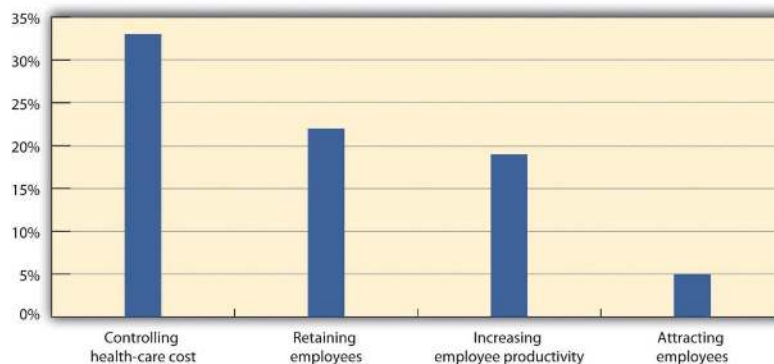


Figure 8.5.2: As you can see from MetLife's 9th annual study in 2010, cost containment is an important aspect to health-care plans. Source: MetLife, "9th Annual Study of Employee Benefits Trends," 2010, www.metlife.com/assets/institutional/services/insights-and-tools/ebts/Employee-Benefits-Trends-Study.pdf (accessed July 23, 2011).

As the HR professional, it will likely be your responsibility to choose the health-care plan that best meets the needs of your employees. Some options include the following:

1. **Fee-for-service plans.** In this type of plan, people pay for medical expenses out of pocket, and then are reimbursed for the benefit level. For example, if your insurance plan covers doctor visits, you could see any doctor, pay the bill, and then submit payment to your insurer for reimbursement. Most companies will have a base plan, which covers more serious issues requiring hospitalization, while the major medical part of the plan would cover routine services, such as doctor's visits. As you can imagine, the disadvantage of this type of plan can be twofold: first, the initial expense for the employee, and second, the time it may take to receive reimbursement for employees. Remember that medical insurance can help retain and motivate employees and help you recruit new employees, so consideration of the disadvantages is important.
2. **Health maintenance organizations (HMOs).** The HMO will likely have greater coverage than the fee-for-service plan, but it limits the ability of employees to see the doctors they choose. There may be a limited number of physicians and specialists for the employee to see, and going outside the plan and seeing another doctor may result in an out-of-pocket expense for the employee. Most HMOs cover a wide range of medical issues and will usually require a copayment by the employee. Some may have minimum deductibles they must meet before the HMO will cover in full. For example, if you are part of an HMO with a deductible of \$500 and copayments of \$25, you would need to see the doctor for a value of \$500 (paid out of pocket) before you can begin to just make the \$25 copayment for visits. Some HMOs will not allow members to see a specialist, such as a dermatologist, without prior approval from the primary care physician.
3. **Preferred provider organization (PPO).** This type of medical plan is similar to HMOs but allows employees to see a physician outside the network. They will likely still have to pay a deductible as mentioned above, but PPOs do allow employees

more freedom to see specialists, such as dermatologists.



Figure 8.5.3: Considerations When Choosing Medical Insurance, (CC-BY-NC-SA This work)

When choosing the best type of plan for your organization, the following aspects should be considered:

1. The cost of the plan
2. The type of coverage
3. The quality of the care
4. Administration of the plan

First, the cost is usually a major consideration for the HR professional. Developing a budget for health-care costs, initiating bids from possible providers, and then negotiating those bids is a key factor in controlling this cost for employers.

Second, asking for employees' opinions about the type of coverage they would prefer is a way to ensure your plan meets the needs of your employees. Next, consider the quality of care your employees will receive and, finally, how simple will the plan be for your HR department to administer. For example, many HMO plans offer fully automated and online services for employees, making them easy to administer.

Disability insurance provides income to individuals (usually a portion of their salary) should they be injured or need long-term care resulting from an illness. Short-term disability insurance (STD) provides benefits to someone if they are unable to work for six months or less, while long-term disability insurance (LTD) covers the employee for a longer period of time. Normally, disability insurance provides income to the employee that is 60–80 percent of their normal salary.

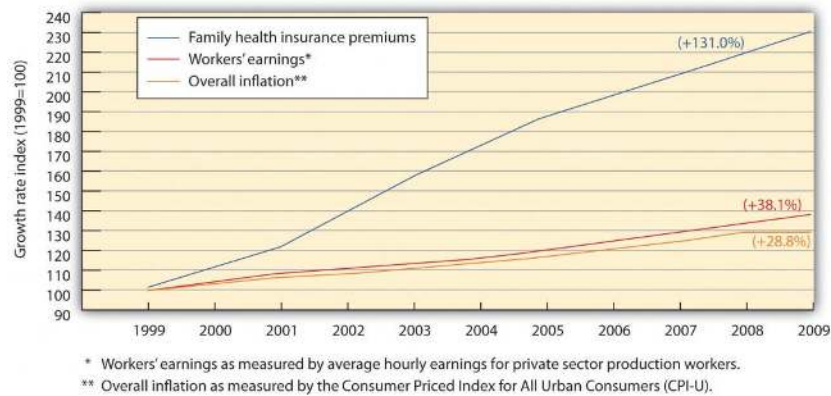


Figure 8.5.4: One of the biggest challenges in health-care benefits planning is to manage the growing cost of health insurance premiums for employees while still managing cost containment for the organization. Source: Economic Policy Institute, “The State of Working America: Health Premiums,” stateofworkingamerica.org/charts/growth-rate-of-premiums-earnings-and-inflation/ (accessed July 23, 2011).

Voluntary: 401(k) Plans

As the scenery of the workforce has changed, benefits have changed, too. One such recent change is the movement of employee pension plans to 401(k) plans. While some organizations still offer pension plans, such plans are far more rare. A pension plan is a set dollar amount an employee will receive when they retire from their organization. This type of plan was popular when most people worked their entire life at the same company. However, many pension plans have gone bankrupt, and the United States has an agency to protect people from losing pension benefits. The Pension Benefit Guaranty Corporation (PBGC) was created by the Employee Retirement Income Security Act (ERISA) to protect pension benefits in private sector pension plans. If a pension plan ends or isn't able to pay all benefits, PBGC's insurance program pays the benefit that should have been provided. Financing for this plan comes from insurance premiums paid by the companies whose plans PBGC protects.

As more mobility in the workplace has occurred, most organizations no longer offer pension plans, but instead, they offer 401(k) plans. While a pension plan can motivate employee loyalty, 401(k) plans are far more popular. According to the US Bureau of Labor Statistics, employer-provided retirement plans, such as 401(k) plans, were available to 74 percent of all full-time workers in the United States (US Bureau of Labor Statistics, 2010), while 39 percent of part-time workers had access to retirement benefits.

A 401(k) plan is a plan set up by the organization in which employees directly deposit money from their paycheck. The funds are tax deferred for the employee until retirement. If an employee leaves the job, their 401(k) plan goes with them. As an extra incentive, many organizations offer to match what the employee puts into the plan, usually based on a percentage. For example, an employee can sign up to contribute 5 percent of salary into a 401(k) plan, and the company will contribute the same amount. Most companies require a vesting period—that is, a certain time period, such as a year, before the employer will match the funds contributed.

Usually, 401(k) plans are easy to administer, after the initial setup has occurred. If the employer is matching employee contributions, the expense of such a plan can be great, but it also increases employee retention. Some considerations when choosing a 401(k) plan are as follows:

1. Is the vendor trustworthy?
2. Does the vendor allow employees to change their investments and account information online?
3. How much are the management fees?

It is first important to make sure the vendor you are considering for administration of your 401(k) plan has a positive reputation and also provides ease of access for your employees. For example, most 401(k) plans allow employees to change their address online and move investments from a stock to a bond. Twenty-four-hour access has become the expectation of most employees, and as a result, this is a major consideration before choosing a plan. Most 401(k) plans charge a fee to manage the investments of your employees. The management fees can vary greatly, so receiving a number of bids and comparing these fees is important to ensure your employees are getting the best deal.

It is important to mention the Employee Retirement Income Security Act (ERISA) here, as this relates directly to administration of your 401(k) plan. First, ERISA does not require employers to offer a pension or 401(k) plan, but for those who do, it requires them to meet certain standards when administering this type of plan. Some of these standards include the following:

1. Requires participants receive specific information about the plan, such as plan features and funding
2. Sets minimum standards for participation and vesting
3. Requires accountability of plan's fiduciary responsibilities
4. Requires payment of certain benefits, should the plan be terminated

Voluntary: Paid Time Off

Time off is a benefit we should address, since this type of benefit varies greatly, especially in other parts of the world. French companies, for example, are mandated by law to provide five weeks of paid vacation time to employees (Leung, 2009). In the United States, the number of days off provided is a major budget item worth considering. Here are the general types of time off:

Paid Holidays

Many companies offer a set number of paid holidays, such as New Year's Day, Memorial Day, Christmas, Independence Day, and Thanksgiving.

Sick Leave

The number of sick leave days can vary greatly among employers. The average in the United States is 8.4 paid sick days offered to employees per year (HRM Guide, 2011).

Paid Vacation

With full-time employment, many organizations also offer paid vacation to employees, and it is generally expected as part of the compensation package. According to a survey performed by Salary.com, the average number of paid vacation days in the United States is nine days for one year of service, fourteen days for five years of service, and seventeen days for ten years of service to the organization (Yang, 2011).

Organizations vary greatly in how vacation time is accrued. Some organizations give one hour for a certain number of days worked, while others require a waiting period before earning any paid time off (PTO). In addition, some organizations allow their employees to carry over unused vacation time from one year to the next, while other employees must use their vacation every year or risk losing it.

Paid Time Off (PTO)

One option is to provide a set number of days off, which can be used for vacation time, holidays, and/or sick leave.

To promote longevity, some organizations offer paid (or for example, 60 percent of salary paid) sabbaticals. For example, after five years of employment, the employee may take a paid sabbatical for one month.

A Final Note on Compensation and Benefits Strategy

When creating your compensation plan, of course the ability to recruit and retain should be an important factor. But also, consideration of your workforce needs is crucial to any successful compensation plan. The first step in development of a plan is to ask the employees what they care about. Some employees would rather receive more pay with fewer benefits or better benefits with fewer days off. Surveying the employees allows you, as the HR professional, to better understand the needs of your specific workforce. Once you have developed your plan, understand that it may change to best meet the needs of your business as it changes over time.

Once the plan is developed, communicating the plan with your employees is also essential. Inform your employees via an HR blog, e-mails, and traditional methods such as face to face. Your employees might not always be aware of the benefits cost to the company, so making sure they know is your responsibility. For example, if you pay for 80 percent of the medical insurance premiums, let your employees know. This type of communication can go a long way to allowing the employees to see their value to you within the organization.



Lynn Cameron, managing partner of TechEdge, discusses compensation strategies.

Key Takeaways

- Before beginning work on a pay system, some general questions need to be answered. Questions such as what is a fair wage from the employee's perspective and how much can be paid but still retain financial health are important starting points.
- After some pay questions are answered, development of a pay philosophy must be developed. For example, an organization may decide to pay lower salaries but offer more benefits.
- Once these tasks are done, the HR manager can then build a pay system that works for the size and industry of the organization.
- Besides salary, one of the biggest expenses for compensation is medical benefits. These can include health benefits, vision, dental, and disability benefits.
- Social Security and unemployment insurance are both required by federal law. Both are paid as a percentage of income by the employee and employer.
- Depending on the state, workers' compensation might be a requirement. A percentage is paid on behalf of the employee in case he or she is hurt on the job.
- A mandatory benefit, COBRA was enacted to allow employees to continue their health insurance coverage, even if they leave their job.
- There are three main types of health-care plans. A fee-based plan allows the insured to see any doctor and submit reimbursement after a visit. An HMO plan restricts employees to certain doctors and facilities and may require a copayment and/or deductibles. A PPO plan is similar to the HMO but allows for more flexibility in which providers the employee can see.
- Pension funds were once popular, but as people tend to change jobs more, 401(k) plans are becoming more popular, since they can move with the employee.
- Profit sharing is a benefit in which employees receive a percentage of profit the organization earns. Stock ownership plans are plans in which employees can purchase stock or are granted stock and become an owner in the organization.
- Team rewards are also a popular way to motivate employees. These can be in the form of compensation if a group or the company meets certain target goals.
- Paid time off, or PTO, can come in the form of holidays, vacation time, and sick leave. Usually, employees earn more days as they stay with the company.
- Communication with employees is key to a successful benefits strategy.

Exercises

1. Of the benefits we discussed, which ones are required by law? Which are not?
2. Research current Federal Insurance Contributions Act (FICA) tax rates and Social Security limits, as these change frequently. Write down each of these rates and be prepared to share in class.
3. Describe the considerations when developing medical benefits. Which do you think would be the most important to you as the HR manager?

4. Visit websites of three companies you might be interested in working for. Review the incentives they offer and be prepared to discuss your findings in class.
5. 100 Best Companies to Work For,” *Fortune*, accessed July 21, 2011, https://money.cnn.com/magazines/fort...010/full_list/.

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9: Human Resource Metrics

Learning Objectives

1. Explain the role of human resource metrics in strategic decision-making.
2. Describe the Balanced Scorecard method and how it can be applied to HR practice.
3. Discuss the concept of human capital and why it is critical to organizational performance.
4. Identify why metrics are important for improving both HR practice and overall company performance.
5. Reflect on how human capital can be assessed using an HR Balanced Scorecard approach.

In today's organizations, Human Resources (HR) is expected to be more than an administrative or compliance-driven function—it is increasingly viewed as a strategic partner that helps shape organizational success. Human resource metrics play a central role in this shift. By systematically collecting and analyzing data, HR professionals can demonstrate how HR practices influence employee performance, organizational culture, and business outcomes.

This chapter introduces human resource metrics as tools for understanding, evaluating, and communicating HR practice across the entire employee life cycle. Rather than focusing on HR as a cost center, metrics help position HR as an investment in people and organizational capability.

The concepts in this chapter connect HR metrics to key areas of practice, including recruiting and selection, onboarding, learning and development, performance management, engagement, and retention. Understanding what to measure—and why—helps clarify how HR contributes to organizational effectiveness and long-term sustainability.

Why Human Resource Metrics Matter

Human resource metrics are measurements used to evaluate the effectiveness and impact of HR practices. These metrics provide evidence-based insights that support decisions, guide improvements, and help HR professionals communicate value to organizational leaders.

Traditionally, HR effectiveness was judged primarily through administrative efficiency—such as how quickly positions were filled or whether payroll was processed accurately. While these measures remain important, they do not capture how HR practices influence employee capability, engagement, or alignment with organizational goals. Metrics expand the focus from *what HR does* to *how HR contributes*.

When used effectively, HR metrics:

- Support strategic planning and decision-making
- Demonstrate the return on investment (ROI) of HR initiatives
- Identify gaps between HR practices and organizational goals
- Encourage continuous improvement across the employee life cycle

The Balanced Scorecard Approach

You may already be familiar with the Balanced Scorecard, a performance management tool developed by Robert Kaplan and David Norton. The Balanced Scorecard helps organizations measure what matters most by translating strategy into a set of performance categories and metrics.

Rather than relying solely on financial outcomes, the Balanced Scorecard incorporates multiple perspectives, such as:

- Financial performance
- Customer outcomes
- Internal processes
- Learning and growth

Within this framework, employee-related measures play a critical role. Organizations increasingly recognize that employee knowledge, skills, motivation, and behaviors directly influence quality, innovation, and financial performance.

Applying the Balanced Scorecard to HR Practice

Building on the original Balanced Scorecard, researchers such as Mark Huselid developed models that apply scorecard thinking specifically to HR and workforce management. The HR or Workforce Scorecard connects HR practices to organizational strategy by identifying and measuring the workforce factors that drive success.

The Workforce Scorecard typically includes four sequential and interconnected elements:

1. Workforce Mind-Set and Culture

Does the workforce understand and support the organization's strategy? Are shared values and norms aligned with strategic priorities?

2. Workforce Competencies

Does the workforce—particularly those in strategically critical roles—have the knowledge, skills, and abilities needed to execute the strategy?

3. Leadership and Workforce Behaviors

Are leaders and employees consistently behaving in ways that support organizational goals and performance expectations?

4. Workforce Success

Is the workforce contributing to the achievement of key organizational outcomes, such as productivity, quality, innovation, or growth?

The HR Balanced Scorecard serves as a bridge between HR best practices and organizational performance by making these connections visible and measurable.

Figure 16.10



[\(opens in new window\)](#)

The HR Balanced Scorecard bridges HR best practices and the firm's comprehensive Balanced Scorecard.

Understanding Human Capital

Central to HR metrics is the concept of **human capital**—the collective value of employees' knowledge, skills, experiences, creativity, and energy. Rather than viewing employees solely as labor costs, the human capital perspective treats people as assets whose value can be developed and leveraged.

Human capital is inherently intangible, which makes it challenging to measure. Attributes such as creativity, problem-solving ability, and engagement are not as easily quantified as financial costs. As a result, HR professionals rely on a combination of metrics to capture both tangible and intangible aspects of workforce contribution.

According to the Society of Human Resource Management's *Research Quarterly*, "A company's human capital asset is the collective sum of the attributes, life experience, knowledge, inventiveness, energy and enthusiasm that its people choose to invest in their work." As you can tell by the definition, such an asset is difficult to measure because it is intangible, and factors like "inventiveness" are subjective and open to interpretation. The challenge for managers, then, is to develop measurement systems

that are more rigorous and provide a frame of reference. The metrics can range from activity-based (transactional) metrics to strategic ones. Transactional metrics are the easiest to measure and include counting the number of new people hired, fired, transferred, and promoted. The measures associated with these include the cost of each new hire, the length of time and cost associated with transferring an employee, and so forth. Typical ratios associated with transactional metrics include the training cost factor (total training cost divided by the employees trained) and training cost percentage (total training cost divided by operating expense). But, these transactional measures don't get at the strategic issues, namely, whether the right employees are being trained and whether they are remembering and using what they learned. Measuring training effectiveness requires not only devising metrics but actually changing the nature of the training.

The Bank of Montreal has taken this step. "What we're trying to do at the Bank of Montreal is to build learning into what it is that people are doing," said Jim Rush of the Bank of Montreal's Institute for Learning. "The difficulty with training as we once conceived it is that you're taken off your job, you're taken out of context, you're taken away from those things that you're currently working on, and you go through some kind of training. And then you've got to come back and begin to apply that. Well, you walk back to that environment and it hasn't changed. It's not supportive or conducive to you behaving in a different kind of way, so you revert back to the way you were, very naturally." To overcome this, the bank conducts training such that teams bring in specific tasks on which they are working, so that they learn by doing. This removes the gap between learning in one context and applying it in another. The bank then looks at performance indices directly related to the bottom line. "If we take an entire business unit through a program designed to help them learn how to increase the market share of a particular product, we can look at market share and see if it improved after the training," Rush said.

Motorola has adopted a similar approach, using action learning in its Senior Executives Program. Action learning teams are assigned a specific project by Motorola's CEO and are responsible for implementing the solutions they design. This approach not only educates the team members but also lets them implement the ideas, so they're in a position to influence the organization. In this way, the training seamlessly supports Motorola's goals.

Leading and Lagging Indicators

While some of the examples in this section reflect earlier organizational practices, the underlying principles (measuring human capital, focusing on learning transfer, and balancing leading and lagging indicators) remain central to modern HR analytics and strategic HR practice. In planning and applying human capital measures, managers should use both retrospective (lagging) and prospective (leading) indicators.

Effective HR measurement systems use both:

- **Lagging indicators**, which show what has already occurred (e.g., turnover rates, post-training performance outcomes)
- **Leading indicators**, which help predict future performance (e.g., employee engagement, learning participation, skill development)

Balancing these indicators allows organizations to assess past results while also anticipating future needs and risks.

Measuring Learning and Development Effectiveness

Training and development illustrate the difference between activity-based and impact-based metrics. Counting training hours or costs does not indicate whether learning improves performance. More effective measurement examines whether employees apply what they learn and whether that application supports organizational outcomes.

Organizations increasingly use approaches such as experiential learning, on-the-job projects, and action learning to connect development directly to real work challenges. Performance indicators tied to business outcomes—such as productivity, quality, or customer satisfaction—can then be used to assess learning effectiveness.

The Value of Measuring Human Capital

Research consistently shows that organizations that systematically measure both financial and non-financial performance outperform those that do not. Companies that pay close attention to employee performance, innovation, and change—alongside financial results—are more likely to be industry leaders and achieve stronger long-term performance.

Metrics provide accountability and visibility. While organizations often closely monitor physical assets and financial inputs, workforce-related issues can be harder to diagnose without data. HR metrics help identify strengths, risks, and opportunities within

the workforce that might otherwise remain hidden.

Applying HR Metrics to Your Own Human Capital

Let's translate HR metrics to your own Balanced Scorecard of human capital. As a reminder, the idea behind the HR scorecard is that if developmental attention is given to each area, then the organization will be more likely to be successful. In this case, however, you use the scorecard to better understand why you may or may not be effective in your current work setting. Your scorecard will comprise four sets of answers and activities.

1. **What is your mind-set and values?** Do you understand the organization's strategy and embrace it, and do you know what to do in order to implement the strategy? If you answered "no" to either of these questions, then you should consider investing some time in learning about your firm's strategy. For the second half of this question, you may need additional coursework or mentoring to understand what it takes to move the firm's strategy forward.
2. **What are your work-related competencies?** Do you have the skills and abilities to get your job done? If you have aspirations to key positions in the organization, do you have the skills and abilities for those higher roles?
3. **What are the leadership and workforce behaviors?** If you are not currently in a leadership position, do you know how consistently your leaders are behaving with regard to the achievement of strategic objectives? If you are one of the leaders, are you behaving strategically?
4. **Your outcomes?** Can you tie your mind-set, values, competencies, and behaviors to meaningful results at work?

This simple scorecard assessment will help you understand why your human capital is helping the organization or needs additional development itself. With such an assessment in hand, you can act to help the firm succeed and identify priority areas for personal growth, learning, and development.

Key Takeaway

Human resource metrics provide a structured way to connect HR practice to organizational strategy and performance. By applying tools such as the HR Balanced Scorecard, organizations can align HR activities with strategic goals, measure what matters, and continuously improve how they develop and support their people. When human capital is treated as an asset and measured thoughtfully, HR becomes a powerful driver of organizational success.

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