

Preface

If you have watched television or read any newspapers or magazines, you have undoubtedly come across reports dealing with ethics and legal challenges to business practices (such as the discrimination lawsuits against Wal-Mart), offshoring and outsourcing of jobs (such as IBM plans to send 5,000 jobs to India), and changes in benefits and pension plans (consider Whole Foods' health care plan, which has a large deductible of \$1,500 but allows employees to decide how to use the monies the company deposits in their health care account). Also, companies such as J. M. Smucker (the jam and jelly company), the Container Store (the storage and organization store), and Edward Jones (financial services firm) give employees a chance to make a difference at work and as a result have received positive media attention for being included on *Fortune* magazine's list of "The 100 Best Companies to Work For." These media reports highlight how choices that companies have made about human resource management practices influence employees, managers, shareholders, the community, and ultimately, the success of the company.

Companies are continuing to reexamine their business priorities and find ways to provide more value to customers, shareholders, and employees. Traditionally, the concept of value has been considered to be the primary concern of finance and accounting. However, we believe that how human resources are managed is crucial to the long-term value of a company and ultimately to its survival. Our definition of value includes not only profits but also employee growth and satisfaction, additional employment opportunities, protection of the environment, and contributions to community programs. Managers must make decisions about how to allocate resources across the different organization functions, including marketing, production, finance, accounting, information systems, and human resources, and how to ensure that they contribute to achievement of the company's goals and strategies. All company functions are being scrutinized for the value they add.

We believe that all aspects of human resource management—including how companies interact with the environment; acquire, prepare, develop, and compensate employees; and design and evaluate work—can help companies meet their competitive challenges and create value. Meeting challenges is necessary to create value and to gain a competitive advantage.

The Competitive Challenges

The challenges that organizations face today can be grouped into three categories:

- **The sustainability challenge.** Sustainability refers to the ability of a company to survive and exceed in a dynamic competitive environment. Sustainability depends on how well a company meets the needs of those who have an interest in seeing that the company succeeds. Challenges to sustainability include the ability to deal with economic and social changes, engage in responsible and ethical business practices, provide high quality

products and services, and develop methods and measures (also known as metrics) to determine if the company is meeting stakeholder needs. Companies in today's economy use mergers and acquisitions, growth, and downsizing to successfully compete. Companies rely on skilled workers to be productive, creative, and innovative and to provide high quality customer service, and their work is demanding and companies cannot guarantee job security. One issue is how to attract and retain a committed, productive workforce in turbulent economic conditions that offer opportunity for financial success, but can also turn sour, making every employee expendable. Forward-looking businesses are capitalizing on the strengths of a diverse workforce. The examples of Enron and WorldCom provide a vivid example of how sustainability depends on ethical and responsible business practices, including the management of human resources. Another important issue is how to meet financial objectives through meeting both customer and employee needs. To meet the sustainability challenge companies must engage in human resource management practices that address short-term needs but help to ensure the long-term success of the firm. The development and choice of human resource management practices should support business goals and strategy.

- **The global challenge.** Companies must be prepared to compete with companies from around the world either in the United States or abroad. Companies must both defend their domestic markets from foreign competitors and broaden their scope to encompass global markets. Recent threats to and successes of U.S. businesses (consider the semiconductor and steel industries) have proven that globalization is a continuing challenge
- **The technology challenge.** Using new technologies such as computer-aided manufacturing, virtual reality, expert systems, and the Internet can give companies an edge. New technologies can result in employees "working smarter" as well as providing higher-quality products and more efficient services to customers. Companies that have realized the greatest gains from new technology have human resource management practices that support the use of technology to create what is known as high-performance work systems. Work, training, programs, and reward systems often need to be reconfigured to support employees' use of new technology. The three important aspects of high performance work systems are (1) human resources and their capabilities, (2) new technology and its opportunities, and (3) efficient work structures and policies that allow employees and technology to interact. Companies are also using e-HRM (electronic HRM) applications to give employees more ownership of the employment relationship through the ability to enroll in and participate in training programs, change benefits, communicate with coworkers and customers online, and work "virtually" with peers in geographically different locations.

We believe that organizations must successfully deal with these challenges to create and maintain value, and the key to facing these challenges is a motivated, well-trained, and committed workforce.

The Changing Role of the Human Resource Management Function

The human resource management (HRM) profession and practices have undergone substantial change and redefinition. Many articles written in both the academic and practitioner literature have been critical of the traditional HRM function. Unfortunately, in many

organizations HRM services are not providing value but instead are mired down in managing trivial administrative tasks. Where this is true, HRM departments can be replaced with new technology or outsourced to a vendor who can provide higher-quality services at a lower cost. Although this recommendation is indeed somewhat extreme (and threatening to both HRM practitioners and those who teach human resource management!), it does demonstrate that companies need to ensure that their HRM functions are creating value for the firm.

Technology should be used where appropriate to automate routine activities, and managers should concentrate on HRM activities that can add substantial value to the company. Consider employee benefits: Technology is available to automate the process by which employees enroll in benefits programs and to keep detailed records of benefits usage. This use of technology frees up time for the manager to focus on activities that can create value for the firm (such as how to control health care costs and reduce workers' compensation claims).

Although the importance of some HRM departments is being debated, everyone agrees on the need to successfully manage human resources for a company to maximize its competitiveness. Three themes emerge from our conversations with managers and our review of research on HRM practices. First, in today's flatter organizations, managers themselves are becoming more responsible for HRM practices. Second, most managers believe that their HRM departments are not well respected because of a perceived lack of competence, business sense, and contact with operations. Third, many managers believe that for HRM practices to be effective they need to be related to the strategic direction of the business. This text emphasizes how HRM practices can and should contribute to business goals and help to improve product and service quality and effectiveness.

Our intent is to provide students with the background to be successful HRM professionals, to manage human resources effectively, and to be knowledgeable consumers of HRM products. Managers must be able to identify effective HRM practices to purchase these services from a consultant, to work with the HRM department, or to design and implement them personally. The text emphasizes how a manager can more effectively manage human resources and highlights important issues in current HRM practice.

We think this book represents a valuable approach to teaching human resource management for several reasons:

- The text draws from the diverse research, teaching, and consulting experiences of four authors. They have taught human resource management to undergraduates, traditional day MBA students as a required and elective course, and more experienced managers and professional employees in weekend and evening MBA programs. The teamwork approach gives a depth and breadth to the coverage that is not found in other texts.
- Human resource management is viewed as critical to the success of a business. The text emphasizes how the HRM function, as well as the management of human resources, can help companies gain a competitive advantage.
- The book discusses current issues such as e-HRM, finding and keeping talented employees, diversity, and offshoring, all of which have a major impact on business and HRM practice.
- Strategic human resource management is introduced early in the book and integrated throughout the text.
- Examples of how new technologies are being used to improve the efficiency and effectiveness of HRM practices are provided throughout the text.

Organization

Human Resource Management: Gaining a Competitive Advantage includes an introductory chapter (Chapter 1) and five parts.

Chapter 1 provides a detailed discussion of the global, new economy, stakeholder, and work system challenges that influence companies' abilities to successfully meet the needs of shareholders, customers, employees, and other stakeholders. We discuss how the management of human resources can help companies meet the competitive challenges.

Part 1 includes a discussion of the environmental forces that companies face in attempting to capitalize on their human resources as a means to gain competitive advantage. The environmental forces include the strategic direction of the business, the legal environment, and the type of work performed, and physical arrangement of the work.

A key focus of the strategic human resource management chapter is highlighting the role that staffing, performance management, training and development, and compensation play in different types of business strategies. A key focus of the legal chapter is enhancing managers' understanding of laws related to sexual harassment, affirmative action, and accommodations for disabled employees. The various types of discrimination and ways they have been interpreted by the courts are discussed. The chapter on analysis and design of work emphasizes how work systems can improve company competitiveness by alleviating job stress and by improving employees' motivation and satisfaction with their jobs.

Part 2 deals with the acquisition and preparation of human resources, including human resource planning and recruitment, selection, and training. The human resource planning chapter illustrates the process of developing a human resource plan. Also, the strengths and weaknesses of staffing options such as outsourcing, use of contingent workers, and downsizing are discussed. Strategies for recruiting talented employees are emphasized. The selection chapter emphasizes ways to minimize errors in employee selection and placement to improve the company's competitive position. Selection method standards such as validity and reliability are discussed in easily understandable terms without compromising the technical complexity of these issues. The chapter discusses selection methods such as interviews and various types of tests (including personality, honesty, and drug tests) and compares them on measures of validity, reliability, utility, and legality.

We discuss the components of effective training systems and the manager's role in determining employees' readiness for training, creating a positive learning environment, and ensuring that training is used on the job. The advantages and disadvantages of different training methods are described, such as e-learning.

Part 3 explores how companies can determine the value of employees and capitalize on their talents through retention and development strategies. The performance management chapter examines the strengths and weaknesses of performance management methods that use ratings, objectives, or behaviors. The employee development chapter introduces the student to how assessment, job experiences, formal courses, and mentoring relationships are used to develop employees. The chapter on retention and separation discusses how managers

can maximize employee productivity and satisfaction to avoid absenteeism and turnover. The use of employee surveys to monitor job and organizational characteristics that affect satisfaction and subsequently retention is emphasized.

Part 4 covers rewarding and compensating human resources, including designing pay structures, recognizing individual contributions, and providing benefits. Here we explore how managers should decide the pay rate for different jobs, given the company's compensation strategy and the worth of jobs. The advantages and disadvantages of merit pay, gainsharing, and skill-based pay are discussed. The benefits chapter highlights the different types of employer-provided benefits and discusses how benefit costs can be contained. International comparisons of compensation and benefit practices are provided.

Part 5 covers special topics in human resource management, including labor-management relations, international HRM, and managing the HRM function. The collective bargaining and labor relations chapter focuses on traditional issues in labor-management relations, such as union structure and membership, the organizing process, and contract negotiations; it also discusses new union agendas and less adversarial approaches to labor-management relations. Social and political changes, such as introduction of the euro currency in the European Community, are discussed in the chapter on global human resource management. Selecting, preparing, and rewarding employees for foreign assignments are also discussed. The text concludes with a chapter that emphasizes how HRM practices should be aligned to help the company meet its business objectives. The chapter emphasizes that the HRM function needs to have a customer focus to be effective.

Video cases at the end of the book integrate the concepts presented. These cases are intended to give students practice dealing with real HRM issues that companies are facing.

Acknowledgments

As this book enters its fifth edition, it is important to acknowledge those who started it all. The first edition of this book would not have been possible if not for the entrepreneurial spirit of two individuals. Bill Schoof, president of Austen Press, gave us the resources and had the confidence that four unproven textbook writers could provide a new perspective for teaching human resource management. John Weimeister, our editor, provided us with valuable marketing information, helped us in making major decisions regarding the book, and made writing this book an enjoyable process. We continue to enjoy John's friendship and hospitality at national meetings. We were fortunate to have the opportunity in the fifth edition to work with John again. Sarah Reed continued on our team as developmental editor. Sarah's suggestions, patience, gentle prodding, and organizational ability kept the author team focused and allowed us to meet publication deadlines. Many thanks to Marlena Pechan, project manager, for her careful review of the revised manuscript. Amit Shah of Frostburg State University wrote a first-class Instructor's Manual, PowerPoint presentation, and Test Bank, and he developed important content and study material for the OLC. Also, many thanks go to Interactive Learning LLC for their help with content for the OLC.

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John R. Hollenbeck
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