

Washington University of Virginia
BUS 510E ORGANIZATION THEORY
 Lecture Notes #6

Organization and Human Resources

Primary References

Dessler, Gary. *Human Resource Management*, 13th ed. Upper Saddle River, NJ, Pearson, 2012.

I. The Process of the Human Resource Management

A. The Human Resource Management

is one of those functions dealing with staffing in the management process. On the other hand, a systems approach deals with the supra-system, system, and subsystem of the corporation. The major elements of the system include strategic goals and values, organizational structure and behavior, personnel, finance, technology, marketing, and command and control (or leadership). HRM is based on the strategic goals and the organizational structure of the corporation, which requires a certain level of the quantity and the quality of manpower. In fact, the **organizational structure defines job descriptions and qualification of each position**. The demand for human resources is decided by the strategic goals and the organizational structure subject to environmental constraints such as equal opportunity and the law. HRM deals with the process of **recruitment and placement, training and development, promotion and compensation, and employee relations** including ethics and employee rights and discipline, labor relations and collective bargaining, employee safety and health, managing global human resources, and managing human resources in entrepreneurial firms.

B. The Process of Human Resource Management

<i>Steps to Manage</i>	<i>The Talent Management Process</i>
Phase I. Recruitment, Placement, and Talent Management	1. Job Analysis and the Talent Management Process 2. Personnel Planning and Recruiting 3. Employee Testing and Selection 4. Interviewing Candidates
Phase II. Training and Development	1. Training and Developing Employees 2. Performance Management and Appraisal 3. Employee Retention, Engagement, and Careers
Phase III. Promotion and Compensation	1. Establishing Strategic Pay Plans 2. Pay for Performance and Financial Incentives 3. Benefits and Services
Phase IV. Employee Relations	1. Ethics, employee rights, and discipline 2. Labor relations and collective bargaining 3. Employee safety and health 4. Managing global human resources 5. Managing human resources in entrepreneurial firms

C. The Basis of Job analysis

Talent management begins with understanding what jobs need to be filled, and the human traits and competencies employees need to do those jobs effectively. **Job analysis** is the procedure of determining the duties and skill requirements of a job and the kind of person who should be hired for it.

***Job descriptions** are a list of a job's duties, responsibilities, reporting relationships, working conditions and supervisory responsibilities - one product of a job analysis.

***Job specifications** are a list of a job's "human requirements," that is, the requisite education, skills, knowledge, personality, and so on - another product of a job analysis.

The job analysis itself involves collecting information on matters such as work activities; human behaviors; machines, tools, equipment, and work aids; performance standards; job context; and human requirement. **Managers use job analysis information** in recruitment and selection, compensation, training, and performance appraisal. **The basic steps in job analysis** include deciding the use of the job analysis information, reviewing relevant background information including organization charts, analyzing the job, verifying the information, and developing job description and job specifications.

II. Workforce Planning and Forecasting

A. Workforce Planning and Forecasting

Workforce planning is the process of deciding what positions the firm will have to fill, and how to fill them. It embraces all future positions, from maintenance clerk to CEO.

1. Strategy and Workforce Planning

<i>Type of Plan</i>	<i>Explanation</i>
Employer's strategic plan	Diversity? Integrate vertically? Expand or downsize geographically? On what basis should we compete?
Employer's functional plans	Marketing and sales plans, production plans, financial plans, and human resources plan.
Human resource plans	Personnel plans, training and development plans, compensation plans, labor relations plans, and security and safety plans.
Personnel plans	Personnel forecasts; Recruitment plans; and Employee selection plans

2. Forecasting Personnel Needs (Labor Demand)

Trend Analysis means studying variations in the firm's employment levels over the last few years. For example, you might compute the number of employees at the end of each of the last 5 years.

Ratio Analysis means making forecasts based on the historical ratio between (1) some causal factor (like sales volume) and (2) the number of employees required (such as number of sales people).

Scatter Plot shows graphically how two variables - such as sales and your firm's staffing levels - are related. Determining the relationship between the hospital size and the number of nurses.

Markov Analysis involves creating a matrix that shows the probabilities that employees in the chain of feeder positions for a key job (such as from junior engineer, to engineer, to senior engineer, to engineering supervisor, to director of engineering) will move from position to position and therefore be available to fill the key position.

B. Recruiting from Internal or External Sources of Candidates

1. Recruiting from Internal Sources of Candidates

Filling open positions with inside candidates has several advantages. There is really no substitute for knowing a candidate's **strengths and weaknesses**, as you should after working with them for some time. Current employees may also be **more committed** to the company. **Morale** may rise if employees see promotions as rewards for loyalty and competence. Inside candidates should require **less orientation** and perhaps training than outsiders.

However, hiring from within can also back fire. Employees who apply for jobs and don't get them may become **discontented**; telling them why you rejected them and what remedial actions they might take is crucial. And too often internal recruiting is a **waste of time**. Many employers require managers to post job openings and interview all inside candidates. Yet the manager often knows whom he or she wants to hire. Requiring him or her to interview a stream of unsuspecting inside candidates can be a waste of time for everyone. **Inbreeding** is another potential drawback. When all managers come up through the ranks, they may have a tendency to maintain the status quo, when a new direction is required.

2. Recruiting from Outside Sources of Candidates

- *Recruiting via the Internet
- *Advertizing
- *Employment agencies
- *Temp agencies and alternative staffing
- *Off-shoring and outsourcing jobs
- *Executive recruiters (Headhunters)
- *On-demand recruiting services
- *College recruiting
- *Referrals and Walk-ins
- *Military personnel

3. Recruiting a More Diverse Workforce

- (a) Single Parents
- (b) Older Workers
- (c) Recruiting Minorities
- (d) Welfare-to-Work: Some companies report difficulty in hiring and assimilating people previously on welfare. Applicants sometimes lack basic work skills, such as reporting for work on time, working in teams, and taking orders.
- (e) The Disabled

III. Testing and Selection

A. Types of Tests

1. Tests of Intellectual Abilities
2. Tests of Physical Abilities
3. Tests of Personality and Interests
4. Achievement Tests: measure what someone has learned. Most of the tests you take in school are achievement tests. They measure your "job knowledge" in areas like economics, marketing, or human resources.

B. Background Investigations and Other Selection Methods

There are several ways to check a candidate's background as follows:

1. The Social Network: Checking Applicants' Social Postings
2. Using Pre-employment Information Services
3. The Polygraph and Honesty Testing
4. Graphology is the use of handwriting analysis to determine the writer's basic personality traits.
5. Physical Exams
6. Substance Abuse Screening: Drug screenings
7. Complying with Immigration Law

The reference checking form is useful.

C. Interviewing Candidates - Basic Types of Selection Interviews

1. In **structured interviews**, the employer lists the questions ahead of time, and may even list and score possible answers for appropriateness, though interview structure is a matter of degree in practice. In structured interviews, all interviewers generally ask all applicants the same questions. Standardizing interviews tend to be more reliable and valid.

2. **Interview Content**: (1) Situational questions - you ask the candidate what his or her behavior would be in a given situation. (2) Behavioral questions - you ask the applicant to describe how they reacted to actual situations in the past. (3) Other types of questions - a job-related interview or a stress interview.

3. How should we administer the interview?

Panel interviews, Phone interviews, Video-web-assisted interviews,

Computerized interviews: Most computerized interviews present the applicant with a series of questions regarding his or her background, experience, education, skills, knowledge, and work attitudes that relate to the job for which the person has applied. In some cases, realistic scenarios are applied.

D. Three Ways to Make the Interview Useful

- Use structured situational interviews
- Carefully select traits to assess
- Beware of committing interviewing errors

IV. Training and Development

Training is the process of teaching new or current employees the basic skills they need to perform their jobs. **Negligent training** may cause a situation where an employer fails to train adequately, and the employee subsequently harms a third party.

The ADDIE Five-Step Training Process

1. Analyze the training need.
2. Design the overall training program.
3. Develop the course (creating the training materials)
4. Implement training, by actually training the targeted employee group using methods such as on-the-job or online training.
5. Evaluate the course's effectiveness.

V. Performance Management and Appraisal

A. The Performance Appraisal Process

Performance appraisal means evaluating an employee's current and/or past performance relative to his or her performance standards. There are **three steps** of the performance appraisal process:

- (1) Setting work standards,
- (2) Assessing the employee's actual performance relative to those standards (this usually involves some rating forms), and
- (3) Providing feedback to the employee with the aim of helping him or her to eliminate performance deficiencies or to continue to perform above par.

B. Performance Management

Definition: It is the continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning their performance with the organization's goals.

- *Defining the employee's goals and performance standards
- *How to set effective goals: (1) Assign specific goals, (2) assign measurable goals, (3) Assign challenging but doable goals, and (4) encourage participation (participative goals).
- *Talent management: rewards go to the basic skills required to do the job, and the minimum level of each skill that job required.
- *The job descriptions provide the basic criteria for the assigned to be appraised.

C. Who Should Do the Appraising?

- *Peer Appraisals: An employee is evaluated by the group consisting of people who are equal.
- *Rating Committee: the employee's immediate supervisor and three or four other supervisors.
- *Self-rating: evaluated by oneself.
- *Appraisal by Subordinates: This identifies the view of the upward feedback.
- *360-degree Feedback: The employer collects performance information all around an employee.

VI. Employee Retention, Engagement, and Careers

A. Managing Employee Turnover and Retention

1. Managing Employee Turnover

*Turnover - the rate at which employees leave the firm. Involuntary separations due to poor performance, disability, or corporate downsizings are not included in this turnover.

*Reasons top performing employees leave an organization:

Pay, Promotion opportunity, Work/life balance, Stress, Career development, health care benefits, Length of commute, Retirement benefits, Nature of work, Company culture, Relationship/supervisor

2. Retention Strategies for Reducing Voluntary Turnover - A Comprehensive Approach

- *Selection - Hiring of the right employees and choosing the right supervisors as well
- *Professional growth
- *Provide career direction
- *Meaningful work and ownership of goals
- *Recognition and rewards
- *Culture and environment
- *Promote work-life balance
- *Acknowledge achievements

B. Employee Engagement

Employment engagement is important. Numerous employee outcomes including turnover and performance reflect the degree to which employees are engaged. For example, business units with the highest levels of employee engagement have an 83% chance of performing above the company median, while those with the lowest employee engagement have only a 17% chance. Engagement-supporting actions include making sure employees

- (1) understand how their department contribute to the company's success,
- (2) see how their own efforts contribute to achieving the company's goals, and
- (3) get a sense of accomplishment from working at the firm.

C. Career Management

Employees ultimately need to take responsibility for their own careers, but employers and managers should also understand what **career management methods** are available. These include

- *Establishing company-based career centers
- *Offering career planning workshops
- *Providing employee development budgets, and
- *Offering online career development workshops and programs.

The simplest and most direct way is **to make appraisal itself career-oriented**, insofar as the appraisal feedback is a link to the employee's aspirations and plans. Supervisors can play a major role in their employee's career development. For example, make sure the employee gets the training he or she requires, and make sure appraisals are discussed in the context of the employee's career aspirations.

D. Making Promotion Decisions

1. The Decision Rules

Decision 1: Seniority versus Competence

Decision 2: How should we measure Competence?

Decision 3: Is the Process Formal or Informal?

Decision 4: Vertical, Horizontal, or Others

2. Practical Consideration

Establishing eligibility requirements - minimum tenure and performance ratings

3. Managing Transfers

employers may transfer a worker to vacate a position where he or she is no longer needed, to fill one where he or she is needed, or more generally to find a better fit for the employee within the firm. Many firms today boost productivity by consolidating positions. Transfers are a way to give displaced employees a chance for another assignment or some personal growth.

Employees seek transfers for many reasons, including personal enrichment, more interesting jobs, greater convenience - better hours, location of work, and so on - or to jobs offering greater advancement possibilities.

4. Managing Retirements

1. Workforce retirement planning: A demographic analysis, a determination of the average retirement age for the company's employees, and a review of how retirement is going to affect the employer's health care and pension benefits. Then, the employer can determine the extent of the retirement problems, and take fact-based steps to address it.

2. Employer's seeking to attract and or retain retirees need to take several steps -by offering them part-time positions, hiring them as consultants or temporary workers, offering them flexible work arrangements, encouraging them to work past traditional retirement

VII. Establishing Strategic Pay Plans

A. Basic Factors in Determining Pay Rates

1. Employee compensation

1. Direct financial payments - wages, salaries, incentives, commissions, and bonuses

*Time-based pay - hourly or daily wages

*Pay for performance - amount of production or sales

2. Indirect financial payments - employer-paid insurance, vacations, or retirement benefits

2. Aligning Total Rewards with Strategy

The compensation package includes wages, incentives, and benefits that produces the employee behaviors the firm needs to support and achieve its competitive strategy. Total rewards encompass the traditional pay, incentives, and benefits, but also things such as more challenging jobs (job design), career development and recognition programs.

4. Equity and its Impact on Pay Rates

Equity Theory of Motivation: People are strongly motivated to maintain a balance between what they perceive as their contributions and their rewards. If a person perceives an inequity, a tension or drive will develop in the person's mind, and the person will be motivated to reduce or eliminate the tension and perceive inequity.

5. Legal Considerations in Compensation

6. Union Influences on Compensation Decisions

7. Pay Policies

*A top hospital like Johns Hopkins might have a policy of paying nurses 20% above the prevailing market wage. Pay policies can influence the employer's performance and profitability.

*The company can emphasize either seniority or performance in its pay policies.

*Geography: The average base pay of an office supervisor ranges from \$45K in Florida, \$50K in Texas, and \$55K in New York, for example.

B. Job Evaluation Methods

Job evaluation is a formal and systematic comparison of jobs to determine the worth of one job relative to another in order **to determine the worth of one job relative to other**, resulting in a wage or salary structure or hierarchy. The basic principle is this: Jobs that require greater qualifications, more responsibilities, and more complex job duties **should receive more pay** than jobs with less requirements. The basic job evaluation procedure is to compare jobs in relation to one another - for example, in terms of required effort, job complexity, and skills.

Compensable factors are fundamental and compensable elements of jobs to determine the pay for each job, such as skills, effort, responsibility, and working conditions. A consulting firm may include know-how, problem solving, and accountability.

Job Evaluation Methods

<i>Method</i>	<i>Major Contents</i>
Ranking Method	<p>*The simplest method of job evaluation that involves ranking each job relative to all other jobs, usually based on overall difficulty. The steps of the ranking methods are: 1. Obtain job information; 2. Select and group jobs; 3. Select compensable factors; 4. Rank jobs; 5. Combine ratings</p> <p>*Annual pay scale is decided by the ranking order of jobs.</p>
Job Classification	<p>*It is a method for categorizing jobs into groups: all the jobs in each group are of roughly the same value for pay purpose. For example, a press secretary and fire chief might both be graded GS-10.</p> <p>*Grades: A job classification system like the class system, although grades often contain dissimilar jobs, like secretaries, mechanics, and firefighters. Grade descriptions are written based on compensable factors listed in classification systems.</p>
Point Method	<p>*The point method aims to determine the degree to which the jobs contain selected compensable factors. It involves identifying several compensable factors for the jobs, as well as the degree to which each factor is present in each job.</p>

VIII. Compensation Programs

A. Piecework: It is an incentive plan in which a person is paid a sum for each item he or she makes.

(1) **Straight Piecework:** It entails a strict proportionality between results and rewards regardless of output. Some piecework plans allow for sharing productivity gains between employer and worker.

(2) **Standard Hour Plans:** It is like the piece rate plan, with one difference. Instead of getting a rate per piece, the worker gets a premium equal to the percent by which his or her performance exceeds the standard.

B. Merit Pay: It refers to any salary increase awarded to an employee based on his or her individual performance.

(1) **Differential Pay Increases:** Merit plan effectiveness depends on truly differentiating among employees.

(2) **Merit Pay Options:** One awards merit raises in a lump sum once a year and does not make the raise part of the employee's salary. The other ties merit awards to both individual and organizational performance.

C. Incentives for Professional Employees

*Lawyers, doctors, economists, and engineers are paid highly

*Dual-career ladders: one path for managers, and the other for technical experts.

D. Nonfinancial and Recognition-based Awards: Recognition program refers to formal programs, such as employee-of-the-month programs. Social recognition program generally refers to informal manager-employee exchanges such as praise, approval, or expressions of appreciation for a job well done. The most-used rewards to motivate employees were:

employee recognition,	gift certificates,
special events,	cash rewards,
merchandise incentives,	e-mail/print communications,
training programs,	work/life benefits,
variable pay,	group travel,
individual travel, and	sweepstakes.

APPENDIX I. STAFFING

Staffing follows strategy: New strategies require the change of the organizational structure, and staffing and leading are accordingly adjusted. The implementation of new strategies and policies often calls for new human resource management priorities and a different use of personnel. Such staffing issues can involve hiring new people with new skills, firing people with inappropriate or substandard skills, and/or training existing employees to learn new skills. Staffing follows strategy. If growth strategies are implemented, new people may need to be hired and trained. Experienced people with the necessary skills need to be found for promotion to newly created managerial positions. If a firm adopts a retrenchment strategy, a large number of people may need to be laid off or fired; and top management and the divisional managers need to specify the criteria to be used in making these personnel decisions. @ Changing Hiring and Training Requirements: Selecting and training of employees were crucial to the success of the new manufacturing strategy. @ Matching the manager to the strategy: Current CEO may not be appropriate to implement a new strategy. There may be a career life cycle for top executives: learning stage, harvest stage, and decline stage.

(a) **Selection and Management Development**: Executive succession is the process of replacing a key top manager. The average tenure of a chief executive of a large U.S. company declined from nearly nine years in 1980 to just over seven years in 2001. Given that two-third of all major corporations worldwide replace their CEO at least once in a five-year period, it is important that the firm plan for this eventuality. Prosperous firms tend to look outside for CEO candidates only if they have no obvious internal candidates. For example, only 10% of *Fortune* 100 companies have CEOs appointed from the outside. Firms in trouble, however, overwhelmingly choose outsiders to lead them. The probability of an outsider being chosen to lead a firm in difficulty increases if there is no internal heir apparent, if the last CEO was fired, and if the board of directors is composed of a large percentage of outsiders. Outsiders have been found to be very effective in leading strategic change for firms in Chapter 11 bankruptcy.

(b) **Problems in Retrenchment**: Downsizing refers to the planned elimination of positions or jobs. This program is often used to implement retrenchment strategies. Because the financial community is likely to react favorably to announcements of downsizing from a company in difficulty, such a program may provide some short-term benefits, such as raising the company's stock price. If not done properly, however, downsizing may result in less, rather than more, productivity. A good retrenchment strategy can be implemented well in terms of organizing but poorly in terms of staffing. Research shows that when companies use downsizing as part of a larger restructuring program to narrow company focus, they enjoy better performance. In order for successful downsizing, it is desirable to eliminate unnecessary work instead of making across-the-board cuts, to contract out work that others can do cheaper, to plan for long-run efficiencies, to communicate the reasons for actions, to invest in the remaining employees, and to develop value-added jobs to balance out job elimination.

(c) **International Issues in Staffing**: Implementing a strategy of international expansion takes a lot of planning and can be very expensive. Because of cultural differences, managerial style and human resource practice must be tailored to fit the particular situations in other countries. A lack of knowledge of national and ethnic differences can make managing an international operation extremely difficult. To improve organizational learning, many MNCs are providing their managers with international assignments lasting as long as five years. Once a corporation has established itself in another country, it hires and promotes people from the host country into higher-level positions. Another approach to staffing the managerial positions of MNCs is to use people with international orientation, regardless of their country of origin or host country assignment. Some U.S. corporations take advantage of immigrants and their children to staff key positions when negotiating entry into another country and when selecting an executive to manage the company's new foreign operations.

(End of Lecture Notes #6)