

GLOBAL  
EDITION



# Managing Human Resources

EIGHTH EDITION

Luis R. Gómez-Mejía • David B. Balkin • Robert L. Cardy

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# MANAGING HUMAN RESOURCES



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EIGHTH EDITION

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# MANAGING HUMAN RESOURCES

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**Luis R. Gómez-Mejía**

*University of Notre Dame*

**David B. Balkin**

*University of Colorado, Boulder*

**Robert L. Cardy**

*University of Texas at San Antonio*

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To my wife Ana, my two sons Vince and Alex,  
and my daughter Dulce  
—L.G.M.

To my parents, Daniel and Jeanne  
—D.B.B.

To my family for their endless support and to Todd Snider  
for the endless inspiration  
—R.L.C.

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# Preface

*Managing Human Resources*, Eighth Edition, Global Edition, prepares *all future* managers with a business understanding of the need for human resource management skills. Since the first edition of *Managing Human Resources* was published, the general management perspective has become much more prevalent among practicing managers. Recent environmental and organizational forces have contributed greatly to this trend. Organizations are becoming flatter. Globalized operations have become the norm for most organizations once they reach a certain size, and now one often finds that even firms with fewer than 50 employees may be engaged in cross-border activities. Organizations face great pressure to demonstrate social responsibility and to engage in sustainable practices. In addition to greater diversity at home, this trend requires that managers be prepared to work effectively with people with backgrounds very different from their own. Technology such as the Internet fosters communication among all levels of personnel, and managers are expected to be generalists, with a broad set of skills, including human resource management (HRM) skills. Relatedly, social media is having a significant impact on HR practices, in particular recruitment and selection. At the same time, fewer firms have a highly centralized, powerful human resource (HR) department that acts as monitor, decision maker, and controller of HR practices throughout the organization. The emergence of small businesses as the main employer of the majority of the workforce in the United States and other countries has reinforced this trend. Thus, this eighth edition explicitly covers special challenges in the management of human resources dealing with ethics/social responsibility, technology/social media, globalization, customer satisfaction for the users of HR services, and coping with new emerging trends.

The unprecedented economic upheavals on a global basis in the recent past have made it even more clear that all managers should be able to deal effectively with HR issues such as preparing labor reduction plans; identifying key employees that the firm must keep despite declining profits; managing rising employee stress, anxiety, and depression; rewarding individuals for achieving important milestones; inducing employees to take prudent risks within their purview of responsibilities; cross-training employees so that they are capable of fulfilling different roles; enabling employees to become culturally savvy so that they can relate to diverse audiences both domestically and internationally; and treating employees in an ethical manner.

Most employees are now being asked to make difficult choices regarding benefit plans, and the new federal health insurance mandate has made these choices more complicated, at least in the next few years. Employees are increasingly asked to participate in HR decisions concerning recruitment and selection of new applicants, performance appraisals of peers and team members, enforcement of ethics policies, and the like. We believe that the “nonfunctional” HR approach used in this book makes HR relevant to anyone who has to deal with HR issues, including those who do not hold the title of manager. All materials have been thoroughly updated since the seventh edition (see Chapter-Specific Changes to the Eighth Edition), and we have incorporated new topical areas, in particular those concerning technology/social media and ethics/social responsibility.

## New to Eighth Edition

Specific details regarding updates to the eighth edition, Global Edition, can be found later in the preface. However, highlights of changes include the following:

- 700 new references cited within text.
- Most introductory vignettes are either new, substantially revised, or updated.
- Approximately 75 percent of the end-of-chapter cases are new or have been extensively revised and updated.

- More than 80 percent of the boxed features within the text have been replaced with new ones or have been substantially revised and updated.
- New coverage of the special human resource issues concerning social responsibility and ethics as well as technology and social media. This is included in new topical sections of most chapters as well as in new Manager's Notebook features, discussion questions, and cases.
- Updated coverage of how firms respond to dynamic changes in their strategy as a result of environmental jolts, and the important role that human resource management plays in this process.
- Updated coverage of the legal environment of HR such as the changing legal requirements for companies to provide health insurance to employees and emerging regulations that attempt to balance employee and employer rights to engage in religious practices in the workplace.

## Manager's Notebooks

The Manager's Notebooks provide exposure to a variety of issues that managers confront daily, from providing feedback during an appraisal session to preparing employees for a layoff. Approximately half of the Manager's Notebooks are new for this eighth edition, Global Edition, and many of the remaining features have been updated with the most current information. Manager's Notebooks are divided into five categories:

- **New: Technology/Social Media** notebooks discuss specific opportunities and challenges posed by technology and the rapid increase in the use of social media to the practice of human resource management.
- **Customer-Driven HR** notebooks demonstrate how managers and employees can benefit by approaching employees as internal customers.
- **New: Ethics/Social Responsibility** notebooks focus on the role of HR practices in promoting social responsibility and ethical issues that challenge managers and employees.
- **Emerging Trends** notebooks present new developments in HRM practice that are likely to require increased attention in the near future.
- **Global** notebooks focus on HR practices in different countries and offer lessons that can be applied to diverse work contexts within the United States and elsewhere.

## You Manage It! Cases

In an effort to make the conceptual material discussed in each chapter come to life, we provide "You Manage It!" case studies at the end of each chapter to support each of the major themes of the book. For each case, we have included critical thinking questions, team exercises, and experiential exercises. Many cases also include individual exercises for students who wish to or who can only work individually as a member of a class (for instance, those taking online courses). These cases are organized as follows:

- **New: Technology/Social Media** cases deal with concrete situations where technology/social media affect HR practices related to the subject matter discussed in that particular chapter.
- **Customer-Driven HR** cases illustrate how HRM can add value to an organization by taking a customer-oriented perspective.
- **New: Ethics/Social Responsibility** cases illustrate how managing people can involve tough, real-life choices regarding the "right" actions that should be taken and how organizations can act in a more socially responsible manner through appropriate HR practices.
- **Emerging Trends** cases illustrate HR-related issues that are likely to require increased attention in the future.
- **Global** cases draw students' attention outside the boundaries of the United States and illustrate that HR issues may be international in scope.

## MyManagementLab Suggested Activities

For the eighth edition we the author(s) are excited that Pearson's MyManagementLab has been integrated fully into the text. These new features are outlined below. Making assessment activities available on line for students to complete before coming to class will allow you the professor more discussion time during the class to review areas that students are having difficulty in comprehending.

### Watch It

Recommends a video clip that can be assigned to students for outside classroom viewing or that can be watched in the classroom. The video corresponds to the chapter material and is accompanied by multiple choice questions that re-enforce student's comprehension of the chapter content.

### Assisted Graded Writing Questions

These are short essay questions which the students can complete as an assignment and submit to you the professor for grading.

## Chapter-Specific Changes to the Eighth Edition

**Chapter 1, "Meeting Present and Emerging Strategic Human Resource Challenges,"** provides new coverage of the effects of layoffs on losing talent to competitors, niche certification for training, challenges and opportunities of rising diversity, the rise of the virtual workforce, electronic monitoring, and an expanded section on ethics and social responsibility. Specific changes and updates in this edition include a new vignette entry on giant Alcatel, a new notebook on the offering of massive open online courses (MOOCs) aimed at meeting specific training needs, a new notebook on how Harley-Davidson has taken advantage of diversity to increase sales, a new notebook on the use of personal information, and two new cases exploring electronic monitoring and embedding sustainability into HR strategies.

**Chapter 2, "Managing Work Flows and Conducting Job Analysis,"** has new content that explains the use of professional employer organizations (PEOs) that provide human resource management services on an outsourcing basis to smaller firms. A new Manager's Notebook looks at the emerging trend of "reshoring" manufacturing jobs to the U.S. that were previously outsourced to China. Two new end-of-chapter cases examine the growing problem of companies giving unpaid internships to students that use them to perform unskilled labor for free as well as the implications from the restrictions on telecommuting at Yahoo announced by its CEO as a controversial tactic to increase employee productivity and innovation.

**Chapter 3, "Understanding Equal Opportunity and the Legal Environment,"** has been updated to include new regulations that require mandatory sexual harassment training in California for all supervisors in firms with more than 50 employees. New content has been added that explains how companies avoid age discrimination by redesigning jobs for older employees so they can work part-time while they extend their working lives to reflect longer spans of life. A new Manager's Notebook brings to light the rampant gender inequity in India and its implications for this emerging economy. Another new Manager's Notebook discusses how to avoid legal difficulties if companies need to install an English-only rule for communication at the workplace. A new end-of-chapter case discusses the implications of having a company policy that forbids employees from displaying visible tattoos at the workplace, which has become challenging because in recent years tattoos have become fashionable for younger-generation employees to display to express their individuality.

**Chapter 4, "Managing Diversity,"** provides updated information on demographic changes, based on recent census reports; new coverage of entrepreneurial firms launched by minorities; coverage of the rapidly changing landscape for legal protection of homosexuals; expanded treatment of religious diversity and recent EEOC religious-bias lawsuits; and expanded coverage of special issues concerning the rapidly expanding Hispanic populations in the United States. All notebooks have been updated or replaced and a new case has been added on technology/social media and how it affects the management of diversity.



**Chapter 5, “Recruiting and Selecting Employees,”** includes a new opening vignette that describes a common retail situation that students can identify with, an updated Manager’s Notebook focusing on the global supply and shortage of labor, an updated Manager’s Notebook on customer-driven HR, a new Manager’s Notebook on technology/social media, a new Manager’s Notebook focusing on social responsibility in recruitment and hiring, and two new cases exploring employer uses of social media in the hiring process and the role of social responsibility in business and potential impacts of a clear social responsibility initiative.

**Chapter 6, “Managing Employee Separations, Downsizing, and Outplacement,”** includes a new chapter-opening vignette, a new Manager’s Notebook on voluntary employee turnover in China, a new Manager’s Notebook focusing on termination of employees for using social media, a new Manager’s Notebook focusing on the ethical/social responsibility aspects of the effects of layoffs on survivors, a new Manager’s Notebook addressing management actions to minimize the negative effects of a layoff, and two new cases that focus on the management of voluntary turnover and policy that addresses terminations as a result of employee use of social media.

**Chapter 7, “Appraising and Managing Performance,”** includes a new chapter opening with a vignette that illustrates a performance review interaction between a manager and a worker, a new Manager’s Notebook focusing on competencies needed in a global workplace, a new Manager’s Notebook that focuses on the use of technology in measuring and improving performance, a new Manager’s Notebook on using a strength-based approach to provide performance feedback, a new case on the strength-based approach to performance appraisal, and two extensively revised cases on addressing global competencies and the use of technology in appraising performance.

**Chapter 8, “Training the Workforce,”** includes a new chapter opener on employee training, a new Manager’s Notebook on the use of technology and social media as a means to shift training toward “learning on-the-fly,” a new Manager’s Notebook focusing on expatriate training needs, a new Manager’s Notebook on customer-based training, and two new cases on the use of social media in training and the training of expatriates.

**Chapter 9, “Developing Careers,”** includes a new Manager’s Notebook on the steps involved in international assignments and provides management suggestions for each step, a new Managers Notebook that addresses social media as a skill and as a tool in career development, and a new case that explores the use of social media in career development.

**Chapter 10, “Managing Compensation,”** provides an expanded treatment of the disappearance of entitlements, tying rewards to socially responsible behaviors, the use of non-monetary pay, the rise of telecommuting and compensation, job evaluation in small firms, and updates of legislation concerning compensation. The revised chapter includes a new Manager’s Notebook on rewarding employees with non-monetary rewards, a new Manager’s Notebook on telecommuters, and a new case on pay and social responsibility.

**Chapter 11, “Rewarding Performance,”** offers new coverage of the effect of pay incentives on employee ethical behaviors, the pitfalls of merit pay and pay-for-performance systems, the complementary relationship of extrinsic and intrinsic rewards, and special issues with pay incentives in small firms. The chapter includes a new Manager’s Notebook on healthy living incentives, a new Manager’s Notebook on the pros and cons of awarding long-term income, and a new case on providing rewards for key contributors.

**Chapter 12, “Designing and Administering Benefits,”** has been thoroughly revised to include the latest information covering health and retirement benefits. New information on the Patient and Affordable Care Act (PACA) has been added that gives a definition of a full-time employee or part-time equivalent employee for whom employers are required to provide health care coverage, as well as guidelines for the minimum percentage of employees’ health care costs that must be paid for by the employer. New content introduces the increasingly popular high-deductible health plan that provides employees with low-cost health coverage that covers only high-cost medical procedures. New laws in a few states that provide paid parental

leave that go beyond the unpaid parental leave standards of the FMLA at the federal level are explained. A new Manager's Notebook offers some ways that companies are using wellness practices to lower their health care costs. A new end-of-chapter case explains the wildly popular Superannuation retirement program in Australia, which is similar to the 401(k) retirement benefit in the United States but mandates sizeable minimum employee contributions to the retirement account.

**Chapter 13, “Developing Employee Relations,”** offers new content on the use of workplace chaplains, ordained ministers who provide outreach to employees with personal problems, as an alternative to Employee Assistance Programs (EAPs), which require employees to file a complaint before they can receive access to counseling. A new Manager's Notebook explains how social media is being used to build corporate alumni networks that can be a powerful source of competitive information. A new end-of-chapter case brings to light the fact that many employee feedback systems, which are designed to allow employees to have a voice to complain about unfair treatment, remain unused by employees due to their fear of retaliation by managers. The case challenges students to come up with ways to administer feedback systems that actually get used by employees.

**Chapter 14, “Respecting Employee Rights and Managing Discipline,”** provides expanded content on whistle-blowing, including recent controversies over whether individuals who disclose classified government documents to the WikiLeaks Web site should be considered to be whistle-blowers or criminals. A new Manager's Notebook introduces the emerging employment practice of performing credit checks on applicants' credit histories when they are being considered for a job, which some legal experts claim discriminates against minorities. A new end-of-chapter case introduces the growing problem of incivility in the workplace where employees act rude and disrespectful to each other on a regular basis. Blaming this bad conduct on higher stress and increasing performance expectations, the case challenges students to think of ways to restore civility back into the workplace.

**Chapter 15, “Working with Organized Labor,”** contains updated information on the percentage of the workforce that is unionized in the United States and other countries. A new Manager's Notebook examines how Chinese workers have recently asserted their power and demanded to have unions that actually represent their interests to management rather than act as a tool of the government to pacify the workers and keep them docile. In a new end-of-chapter case, the recent setbacks of public sector unions in Wisconsin are examined and students are challenged to think about whether unions are really necessary in the public sector, which tends to have better job security and benefits than many private-sector workplaces.

**Chapter 16, “Managing Workplace Safety and Health,”** has a new chapter opening that provides summaries of recent workplace safety infractions that resulted in major OSHA fines, a new Manager's Notebook on preventing workers' compensation fraud, an updated Manager's Notebook on company actions regarding AIDS in South Africa, and a new Manager's Notebook on the use of social media in wellness programs.

**Chapter 17, “International HRM Challenges,”** provides new treatment of ethical concerns with outsourcing, new legislation around the world on the use of bribes, equal employment opportunity in a global context, ways to keep the expatriate linked to the home country, and new developments in cross-cultural training. The revised chapter also includes a Manager's Notebook on training expatriates on how to cope with political risks, a new Manager's Notebook on the use of toxic factories in China, and a new case on terrorism.

## Instructor Resources

### Instructor's Resource Center

At the Instructor Resource Center, [www.pearsonglobaleditions.com/Gomez](http://www.pearsonglobaleditions.com/Gomez), instructors can easily register to gain access to a variety of instructor resources available with this text in downloadable

format. If assistance is needed, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit <http://247.pearsoned.com> for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available with this text:

- **Instructor's Resource Manual**
- **Test Bank**
- **TestGen® Computerized Test Bank**
- **PowerPoint Presentation**

### **Video Library**

Additional videos illustrating the most important subject topics are available in MyManagementLab.

### **CourseSmart eTextbooks\***

CourseSmart eTextbooks were developed for students looking to save the cost on required or recommended textbooks. Students simply select their eText by title or author and purchase immediate access to the content for the duration of the course using any major credit card. With a CourseSmart eText students can search for specific keywords or page numbers, take notes online, print out reading assignments that incorporate lecture notes, and bookmark important passages for later review. For more information or to purchase a CourseSmart eTextbook, visit [www.coursesmart.com](http://www.coursesmart.com).

\*This product may not be available in all markets. For more details, please visit [www.coursesmart.co.uk](http://www.coursesmart.co.uk) or contact your local Pearson representative.

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Diane Bridge, American University

Mark Butler, San Diego State University

Felipe Chia, Harrisburg Area Community College

Steve Childers, East Carolina University

Denise Daniels, Seattle Pacific University

Kermit Davis, Auburn University

Kerry Davis, Auburn University

Michelle Dean, University of North Texas

Rebby Diehl, Salt Lake Community College

Karen McMillen Dielmann, Indiana University of Pennsylvania

Scott Donaldson, Northeastern Oklahoma A&M College

Cathy DuBois, Kent State University

Rebecca Ellis, California Polytechnic State University

Matt Farron, Schenectady County Community College

Anne Fiedler, Barry University

Hugh Findley, Troy State University

David Foote, Middle Tennessee State University

Debbie Goodwin, Lewis-Clark State College

David A. Hofmann, Michigan State University

Harry Hollis, Belmont University

Deb Humphreys, California Polytechnic State University

Feruzan Irani, Georgia Southern University

David Kaplan, James Madison University

Tim Keaveny, Marquette University

Donald Knight, University of Maryland

Anachai Kongchan, Chulalongkorn University

Gregory A. Laurence, University of Michigan—Flint

Lewis Lash, Barry University

Gregory A. Laurence, Syracuse University

Helen Lavan, DePaul University

Stan Malos, San Jose State University

Candice Miller, Brigham Young University—Idaho

Joe Mosca, Monmouth University

Paul Muchinsky, University of North Carolina at Greensboro

Frank Mullins, Syracuse University

Smita Oxford, Mary Washington College

Steve Painchaud, Southern New Hampshire University

Elaine Potoker, Maine Maritime Academy

Dr. Jim Sethi, University of Montana—Western

Marcia Simmering, Louisiana Tech University

Janice Smith, North Carolina A&T

Howard Stager, Buffalo State College

Lisa T. Stickney, University of Baltimore

Gary Stroud, Franklin University

Cynthia Sutton, Indiana University

Thomas Tang, Middle Tennessee State University

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*Robert L. Cardy*

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## About the Authors

**Luis R. Gómez-Mejía** holds the Ray and Milann Siegfried Professor of Management Chair in Business at the University of Notre Dame. Prior to that, he was the Benton Cocanougher Chair at Texas A & M University as well as Council of 100 Distinguished Scholars at Arizona State University (ASU), and held the Horace Steel Arizona Heritage Chair at ASU. He was a Regent's Professor at ASU and has recently received the Outstanding Alumni Award from the University of Minnesota and was awarded the title of Doctor Honoris Causa at Carlos III University (Spain). He is a Fellow of the Academy of Management and member of the "Hall of Fame" of the Academy of Management (which includes 33 members out of approximately 20,000 members in the Academy of Management). He has published more than 250 articles and 12 books focused on macro human resource issues. His work has appeared in the best management journals including: *Academy of Management Journal*, *Academy of Management Review*, *Strategic Management Journal*, and *Administrative Science Quarterly*. He has received numerous awards for his research, including "best paper" in the *Academy of Management Journal* and "most impactful paper" in *Administrative Science Quarterly*. His publications have been cited approximately 16,000 times (Google), making him one of the most highly cited management scholars. He is past president of the Human Resource Division of the Academy of Management and has served as elected member of the Board of Governors of the Academy of Management. He also served three terms as president of the Iberoamerican Academy of Management.

**David B. Balkin** is Professor of Management at the Leeds School of Business at the University of Colorado at Boulder. He received his PhD in human resource management and industrial relations from the University of Minnesota. Prior to joining the University of Colorado, he served on the faculties of Louisiana State University and Northeastern University. He has published over 70 articles appearing in journals such as the *Academy of Management Journal*, *Strategic Management Journal*, *Personnel Psychology*, *Journal of Organizational Behavior*, *Journal of Business Venturing*, and *Journal of Management Studies*. One of his publications (coauthored with Luis R. Gómez-Mejía) was selected as the best article published in 1992 in the *Academy of Management Journal*. Professor Balkin has written or edited several books on human resources, the management of innovation, compensation, and other topics. He has served as Chair of the Management Department at the University of Colorado and also served on advisory boards of nonprofit organizations. Professor Balkin serves as the associate editor for *Human Resource Management Review* and has previously served on the editorial boards of the *Academy of Management Journal* and the *Journal of Management*. He has served as an expert witness on cases dealing with employment and pay discrimination. Professor Balkin has extensive international experience as a scholar and teacher and was a visiting professor at the University of Toulouse (France), Copenhagen Business School (Denmark), Helsinki University of Technology (Finland), University of Regensburg (Germany), ESADE Business School (Spain), National University of Singapore, Hong Kong University of Science and Technology, HEC Montreal (Canada), and Indian School of Business (India).

**Robert L. Cardy** is a Professor in the Department of Management at the University of Texas at San Antonio. He received his PhD in industrial/organizational psychology from Virginia Tech in 1982. He is an ad hoc reviewer for a variety of journals, including the *Academy of Management Journal* and the *Academy of Management Review*. He is editor and cofounder of the *Journal*

*of Quality Management*. Professor Cardy has been recognized for his research, teaching, and service. He was ranked in the top 20 in research productivity for the decade 1980–1989 based on the number of publications in the *Journal of Applied Psychology*. He was doctoral coordinator in Arizona State University's management department for five years and received a University Mentor Award in 1993 for his work with doctoral students. He served as department chair for seven years at UTSA. He authored a regular column on current issues in HRM for over ten years and received an Academy of Management certificate for outstanding service as a columnist for the HR division newsletter. Professor Cardy was a 1992 recipient of a certificate for significant contributions to the quality of life for students at ASU. His research focuses on performance appraisal and effective HRM practices.



CHAPTER  
1Meeting Present and  
Emerging Strategic Human  
Resource Challenges

MyManagementLab®

★ When you see this icon, visit [www.mymanagementlab.com](http://www.mymanagementlab.com) for activities that are applied, personalized, and offer immediate feedback.

**CHALLENGES** After reading this chapter, you should be able to deal more effectively with the following challenges:

- 1 **Understand** the major challenges affecting HR.
- 2 **Develop** competence in planning and implementing strategic HR policies.
- 3 **Develop** competence in selecting HR strategies to increase firm performance.
- 4 **Become** aware of HR best practices.
- 5 **Understand** the need to establish a close partnership between the HR department and managers.
- 6 **Recognize** career opportunities in various human resources management subfields.

Whether in a recession or during boom times, companies compete for talent. Those that are capable of attracting, retaining, and motivating good employees are more likely to achieve and sustain a competitive advantage. Let's take three examples:

- Giant Alcatel-Lucent employs about 72,000 employees worldwide, and it plans to cut approximately 10,000 jobs during 2014 through 2016 to stem years of losses. While this move might be beneficial for the bottom line in the short term, many of its employees (even those who might not get the ax) are being syphoned away by competitors such as Ericsson, Huawei, and Nokia. This loss of talent might accelerate Alcatel-Lucent's decline in the future.<sup>1</sup>
- Not long ago, Google Inc. was considered the ideal place to work and it was repeatedly chosen by *Fortune*

in its annual pick of the best companies to work for. Google used to receive more than 1,000 applicants for every five jobs available, and very few employees left the company once they were hired. Yet the situation seems to be changing,

making it much tougher for Google to attract and retain top talent despite the company's name recognition and prestige. Google Inc. is now fighting off many growing Internet firms that are poaching its staff. During the years 2011–2015, Facebook, Zynga, and Twitter have increased their staffing by approximately 90 percent, and many of those employees are migrating from Google. To help attract new recruits and preempt

defections, all of Google's employees (about 23,000) were given a 10 percent raise, at an estimated cost of \$400 million.



Source: epa european pressphoto agency/Alamy.

- In recent years, Motorola has lost thousands of engineers, researchers, and designers to competitors such as Apple; Samsung; Research in Motion (RIM, the maker of the Blackberry); Nokia; Dell; and Sony Erickson. A group of software experts recently laid off by Motorola marketed themselves to Yahoo as a team, and all were quickly hired.<sup>2</sup> Ironically, RIM now is also on the brink of disaster because the market for the Blackberry has dwindled and the company has been unable to muster the engineering talent required to diversify its product offering. Nokia also finds itself in a similar situation—its inability to innovate in the cell phone market has made it a victim of Apple’s success in introducing a new stream of devices every year.

## The Managerial Perspective

This book is about the people who work in an organization and their relationship with that organization. Different terms are used to describe these people: *employees*, *associates* (at Walmart, for instance), *personnel*, and *human resources*. None of these terms is better than the others, and they often are used interchangeably. The term we have chosen for the title of this text, and which we will use throughout, is **human resources (HR)**.<sup>\*</sup> This term has gained widespread acceptance over the last decade because it expresses the belief that workers are a valuable—and sometimes irreplaceable—resource. Effective human resource management (HRM) is a major component of any manager’s job.

A **human resource strategy** refers to a firm’s deliberate use of human resources to help it gain or maintain an edge against its competitors in the marketplace.<sup>3</sup> It is the grand plan or general approach that an organization adopts to ensure that it effectively uses its people to accomplish its mission. A **human resource tactic** is a particular policy or program that helps to advance a firm’s strategic goal. Strategy precedes and is more important than tactics.

In this chapter, we focus on the general framework within which specific HR activities and programs fit. With the help of the company’s human resources department, managers implement the chosen HR strategies.<sup>4</sup> In subsequent chapters, we move from the general to the specific and examine in detail the spectrum of HR strategies (for example, those regarding work design, staffing, performance appraisal, career planning, and compensation).<sup>5</sup>

### human resources (HR)

People who work in an organization. Also called *personnel*.

### human resource strategy

A firm’s deliberate use of human resources to help it gain or maintain an edge against its competitors in the marketplace. The grand plan or general approach an organization adopts to ensure that it effectively uses its people to accomplish its mission.

### human resource tactic

A particular HR policy or program that helps to advance a firm’s strategic goal.

### manager

A person who is in charge of others and is responsible for the timely and correct execution of actions that promote his or her unit’s success.

### line employee

An employee involved directly in producing the company’s good(s) or delivering the service(s).

### staff employee

An employee who supports line employees.

## ★ Learn It!

If your professor has chosen to assign this go to [www.mymanagementlab.com](http://www.mymanagementlab.com) to see what you should particularly focus on, and take the chapter 1 warmup.

## Human Resource Management: The Challenges

**Managers** are people who are in charge of others and who are responsible for the timely and correct execution of actions that promote their units’ successful performance. In this book, we use the term *unit* broadly; it may refer to a work team, department, business unit, division, or corporation.

All employees (including managers) can be differentiated as line or staff. **Line employees** are directly involved in producing the company’s good(s) or delivering the service(s). A *line manager* manages line employees. **Staff employees** are those who support the line function. For example, people who work in the HR department are considered staff employees because their job is to provide supporting services for line employees. Employees may also be differentiated according to how much responsibility they have. *Senior employees* are those who have been with the company longer and have more responsibility than *junior employees*. *Exempt employees*

\*All terms in boldface also appear in the Key Terms list at the end of the chapter.