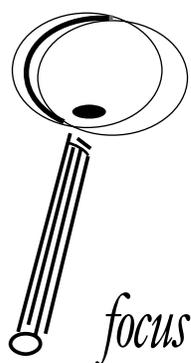


# 1

## The Human Resources Function: An Overview



### Learning Objectives

By the end of this chapter, you should be able to:

- Outline the history of personnel/human resources.
- Identify the qualities recommended for today's successful HR practitioner.
- Prepare to address various human resources challenges.
- Determine when to establish a human resources function.
- Differentiate between the HR function in small and mid-sized versus large organizations.
- Distinguish between the respective responsibilities of HR specialists and non-HR practitioners.

Several years ago, I was introduced to Jake, a financial executive with a major oil company. When he asked about my occupation, I provided my "short" response: "I'm a human resources practitioner."

"Forgive me," he stated, "but I really don't understand what human resources is all about."

I smiled and replied, "Don't worry; you're not alone."

Then he added, "No really, I'm interested. Obviously I know some of HR's areas of responsibility, but I don't understand the purpose of human resources management. Can you give me an abridged answer?"

I was somewhat taken aback. I was used to describing HR in terms of its many components, and could easily talk at length about hiring, employment-related legislation, testing, compensation, and performance management, but explaining HR's purpose in a sentence or two posed a challenge. I thought for

a moment and then asked Jake, “What does every organization need in order to function?”

Without pausing he replied, “A product or service, competent employees, and a viable market.”

“Agreed,” I responded. “Now let me ask you this: could a business prosper without any one of these ingredients?”

“I don’t see how,” he said. “All three components are dependent on one another and together create a formula for success or failure.”

“And that’s where HR enters the picture,” I stated. “The primary purpose of human resources management is to strike a balance between meeting the needs of employees and what best serves the market-driven needs of an organization. When done right, the end result should be growth and prosperity for both the individual employees and the organization as a whole. Of course, there are other factors that influence an organization’s success or failure, such as the economy. But, generally speaking, if a company’s human resources are managed fairly, employees will help employers reach their goals.”

Jake smiled and commented, “It seems to me, then, that every organization requires effective human resources management, regardless of the product or service, size, or corporate status.”

“Correct,” I replied. “Every organization *has* human resources, and, therefore, requires human resources management. The composition and staffing of an HR department, as well as its areas of responsibilities, will vary somewhat, but every business needs to have an HR function.”

## THE HISTORY OF PERSONNEL/HUMAN RESOURCES

It might surprise some readers to learn that the human resources function dates as far back as the mid-1920s. During that time, managers did their own hiring and firing, while selected office employees handled the few other necessary employee-related tasks. By the early 1930s, the duties and responsibilities of managers were expanding, leaving them little time to focus on the employment process, so most were only too glad to have others recruit, screen, and refer applicants for hire.

Soon, other unwanted tasks, such as record keeping and ensuring compliance with government regulations, were relegated to this new, yet unnamed group (in some places it was unofficially referred to as the central office). Gradually, the scope of responsibility expanded to encompass directing recreational and social programs, organizing athletic teams, and arranging company picnics and dinners.

The department, now called Personnel, lacked organizational authority or cohesion. It was staffed initially by former teachers, who anticipated earning more money, and former supervisors, all of whom had no authority to make decisions. Personnel became known as a refuge for burned-out executives from every field, including sales, production, and accounting. The function had limited influence and provided little direction. With many different

practitioners with various job titles and no formal training, management held the personnel function in low regard.

Gradually, however, the rise of big unions in the 1930s brought with it a high demand for more sophisticated labor relations. Of necessity, personnel staff members became specialists in negotiating collective-bargaining agreements and handling matters requiring arbitration.

World War II marked a turning point for the personnel function. Labor relations required increasing levels of expertise; psychological testing and training became important issues due to the shortage of skilled workers; compensation required monitoring as government wage and price controls were imposed; auditing of social legislation was needed; benefit plans increasingly became a subject of collective bargaining; and safety became a predominant need in plants. All of these tasks fell into the laps of the people in personnel. As a result, the department slowly began to gain credibility and personnel staff began to receive some respect from their peers in other departments.

The greatest period of growth for the personnel function occurred after World War II ended. Due to the rapid industrial development and burst of technology, the need for college-educated and exempt-level employees increased (exempt-level employees are, by definition, exempt from overtime compensation): specifically, engineers and technically trained workers were in demand. When fully qualified people could not be found, personnel offered training and educational opportunities. With this increase in hiring came the need to expand wage and salary programs and benefits administration. Personnel also had to develop and monitor performance appraisal systems. In addition, workers, including those not unionized, were gaining a stronger collective voice, and management no longer had an unqualified upper hand. Consequently, there was a greater need for formalized employer/employee relations programs. A field that was originally marked by mediocrity and staffed by misfits, personnel now began to attract practitioners of a higher caliber.

Up until now, managers had always made employee-related decisions as they went along. If a worker needed time off to tend to some personal need, managers would arbitrarily decide how much time off that worker could take. There was little concern for consistency within a department, and rarely, if ever, throughout the organization. During the 1950s, however, this began to change. Personnel developed policies and procedures manuals both to clearly identify the burgeoning areas of employer/employee relations and to ensure the fair and equitable treatment of all workers. In addition, it issued employee handbooks so that workers clearly understood what was expected of them and what they, in turn, could expect from their employers. This greatly altered the relationship between managers and personnel; whereas previously managers did as they pleased, they were now obliged to abide by uniform policies set by personnel. The balance of power had begun to shift.

The 1960s and 1970s brought major employment-related legislation. Businesses were forced to focus on multiple issues surrounding equal employment opportunity (EEO) and affirmative action, which had an impact on all aspects of employment from recruitment through termination. Not surprisingly, these often thorny issues were turned over to personnel. Once

again, personnel practitioners found themselves performing tasks for which they had no formal training; and, once again, they scrambled to develop sufficient knowledge and expertise to function effectively in this new legal arena.

During this time personnel was also increasingly called on to become more involved with acquisitions and mergers, specifically, the assessment of problems connected with the merging of benefit plans and the difficulties accompanying the acquisition of added labor, now more frequently being referred to as a company's "human resources."

The term *human resources* soon came to replace *personnel* when referring to the function or department. This was partially in recognition of the fact that personnel reflected a more traditional reactive function, primarily concerned only with employee utilization. Human resources, on the other hand, suggested a concern for making the most of human resources potential and a commitment to management by anticipation.

Throughout the 1980s, equal employment opportunity and affirmative action remained HR's primary areas of responsibility. In addition, with the increased role of computers in the workplace, human resources information systems (HRIS) became an important area of HR focus, serving as an electronic filing system and providing information to nontechnical managers. Add to the mix organizational development, career planning, employee grievances, and disciplinary proceedings, and it became clear that HR was emerging as an important function in any work setting.

During the 1990s, HR's EEO responsibilities expanded to encompass such issues as employment- and termination-at-will, and negligent hiring and termination. In addition, workplace diversity occupied much of HR's time. HRIS grew in sophistication, and electronic recruitment took its place next to more conventional methods of recruitment.

Midway into the first decade of the new millennium, HR continues to fine-tune its work in these areas while taking on still more tasks. Employee relations-related responsibilities continue to expand, e.g., increased employee demands for flexible work options have led to HR-managed work/life programs, and an expanding multicultural workforce requires greater attention to diversity. Also, a tumultuous economy demands more focus on increased numbers of employees who are telecommuting, hiring more contingent workers, and combating illiteracy in the workplace. And, while doing all this, HR moves decisively toward becoming more strategically aligned with an organization's business side.

Exhibit 1-1 outlines the history of personnel/human resources.

## **TODAY'S SUCCESSFUL HR PRACTITIONER**

At this time, then, human resources practitioners are positioned to take on a more strategic role in achieving an organization's missions and goals. They are developing a sound working knowledge of various business matters, such as how to impact revenue growth and productivity, and are learning to build organizational capabilities. This is increasingly being accomplished through

**E****xhibit 1-1****The History of Personnel/Human Resources**

The areas of focus for each time frame are in addition to all of the preceding areas of responsibility.

<b>TIME FRAME</b>	<b>PERSONNEL/HUMAN RESOURCES' PRIMARY AREAS OF FOCUS</b>
1920s	Miscellaneous employee-related tasks
1930s	Recruiting, screening, and referring applicants Record keeping Compliance with government regulations Recreational and social programs Athletic teams Company picnics and dinners Collective-bargaining negotiations Arbitration
World War II	Labor relations Psychological testing Training Compensation Auditing social legislation Benefits Safety
Post World War II	Exempt hiring Educational opportunities Wage and salary administration Benefits administration Performance appraisal systems Employer/employee relations programs
1950s	Policies and procedures manuals Employee handbooks
1960s and 1970s	Equal employment opportunity Affirmative action
1980s	HRIS Organizational development Career planning Employee grievances Disciplinary proceedings
1990s	Employment- and termination-at-will Negligent hiring and termination Workplace diversity Electronic recruitment
2000s	In addition to all of the above: Work/life programs Diversity Workplace illiteracy Telecommuting Contingent workers Alignment with business side of an organization

a collaborative effort with an organization's financial professionals. While these two disciplines have very different areas of emphasis traditionally, a recent survey of CFOs conducted by CRO Research Services reports that HR and finance work better together than separately. Thirty-nine percent of respondents said they view HR as "mainly or somewhat as a strategic partner, one-third said they see HR as an even mix of cost center and strategic partner, and 28 percent said they see HR as somewhat or mainly a cost center (*HR Magazine*, September 2003). The majority of respondents said they view "human capital as a key driver of shareholder value," impacting customer satisfaction, profitability, product development, and growth. That's quite a departure from Personnel/HR's early days when the department was seen as a dumping ground for managers who couldn't make it in other departments, and HR managers were viewed as being little more than social directors.

As an example of how HR and finance can work together, consider the HR manager who wants to increase spending for improved staffing: He or she approaches finance for cost options; then, together, HR and finance analyze the findings and present a solid, joint plan reflecting the people and money side to senior management.

Organizations that have linked HR and financial operations include Delta Air Lines, where collaboration has resulted in a successful incentive plan for 16,000 employees targeted for downsizing, as well as a program that resulted in reduced benefits costs; SHI-APD Cryogenics, Inc., of Allentown, Pennsylvania, where the finance and HR managers are considered equals and frequently consult with one another regarding various employee-related issues; and Memphis-based First Tennessee National Corp., where a cooperative effort between HR and finance helped lead to a reduction in turnover.



### Think About It

Is human resources a business partner in your organization? List three issues your organization is currently confronting, or anticipates confronting, and for each, answer the following questions: What is HR's role? Is it equal to that of other departments? If not, what can HR do to elevate its status?

1. \_\_\_\_\_

\_\_\_\_\_

2. \_\_\_\_\_

\_\_\_\_\_

3. \_\_\_\_\_

\_\_\_\_\_

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## Important Competencies

HR's changing role means a greater voice in the accomplishment of organizational goals and, consequently, increased credibility. Today's ideal HR manager, then, is someone with both HR and operational experience, possessing a keen sense of how a business operates. Indeed, many HR professionals today are earning MBA degrees and gaining line manager experience. They are also acutely aware of industry and national economic trends, are in sync with their company's long-term goals, can develop an HR strategic plan that maps out how they are going to support the company's objectives, and have demonstrated leadership. Additional desirable intangible competencies include a willingness to take risks, conviction, organizational skills, and resiliency.

These qualities are echoed and elaborated in a comprehensive 2002 study conducted by Wayne Brockbank and David Ulrich of the University of Michigan entitled the *Human Resource Competency Study* (HRCS), as reported in the Institute of Management and Administration's (IOMA's) August 2003 *Human Resources Department Management Report*. In it, 27,000 HR professionals and line managers agreed that today's HR professionals need to be both process and content experts, facilitating change, but also helping to set the direction of change. They went on to identify five key competencies HR managers need in order to stay current and make an impact on their organizations:

1. *Strategic contribution.* Survey respondents determined that strategic contribution accounted for 43 percent of HR's total impact on business performance. Specifically, successful HR professionals focus on culture management, facilitate rapid change while simultaneously eliminating "low-value work and information clutter," and identify problems central to business strategy while suggesting alternative solutions.
2. *Personal credibility.* Survey respondents felt strongly that successful HR managers need to establish a successful track record to "HR counterparts and business line managers whom they serve."
3. *HR delivery.* Today's HR managers are expected to deliver in the areas of staffing, development of challenging work experiences, career planning services, and internal communications.
4. *Business knowledge.* This goes beyond knowing the nature of a particular business; it entails "the ability to apply that knowledge—contributing to strategic decision making, developing competitive cultures, making change happen fast, and creating market-driven connectivity."
5. *HR technology.* HR professionals are expected to use technology to deliver HR services and to shift from "transaction processing to strategic functioning." In this regard, technology's impact is more in time savings than cost savings.

An *HR Competency Toolkit*, produced jointly by the University of Michigan Business School, the Society for Human Resource Management (SHRM), and the Global Consulting Alliance, is available at [www.shrm.org/competencies](http://www.shrm.org/competencies).



## Think About It

Professor Wayne Brockbank, co-author of the above-mentioned study, suggests that fellow HR professionals should “like business more than we like HR.” Do you feel HR practitioners need to go “that far” in order to succeed in today’s business world? Why or why not?

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## HR CHALLENGES

At the same time as they are striving to become more strategically aligned with an organization’s business side, HR practitioners continue to address many workplace challenges, including:

- Diversity
- Workplace illiteracy
- Telecommuting and virtual management
- Integrating a contingent workforce
- Work/life programs

### Diversity

Savvy HR practitioners recognize that success in today’s economy hinges on strengthening the link between diversity and business results, thereby being responsive to the needs and demands of an increasingly diverse workforce. Organizations view diversity differently. For example, Texas Instruments defines *diversity* as their “effectiveness at using the talents of people of different backgrounds, experiences and perspective”; at the company that was formerly BankBoston, diversity includes group differences such as age, race, gender, sexual orientation, and disabilities, and individual differences, such as communication style and career experience; and Harvard Pilgrim Healthcare pays special attention to improving the representation of women and minorities in key positions.

### Workplace Illiteracy

The statistics are staggering: the Department of Labor reveals that some 2.5 million illiterate Americans enter the workforce each year; the U.S. Department of Education reports that one in every seven American adults is functionally illiterate, unable to read, write, calculate, or solve even simple problems; and one-half of our nation’s industrial workers read at or below the eighth-grade level. The impact of illiteracy on business is far-reaching, including a loss of billions of dollars in profits each year; lowered productivity; declining international competitiveness; and reduced promotability.

HR practitioners in the areas of employment, testing, training, and strategic planning recognize that a strong partnership between employers and educational institutions is helping to reduce the impact of illiteracy on business. For example, the Long Island Works Coalition, a not-for-profit membership organization in New York, strives to bridge gaps and enhance working relationships between employment and education. Specifically, the Coalition's objectives are to identify the critical skills required by employers on Long Island and to develop initiatives that will ensure the region has a properly trained and educated workforce possessing these skills. Officers include elected volunteers from both the employment and educational communities. Another example of a work/school partnership is the 2003 Workforce Development initiated by the Minneapolis Regional Chamber of Commerce (MRCC) in the Twin Cities' metropolitan region. MRCC analyses clearly point to the need for an educated workforce and local public school test scores for reading and math reflect the need for improvement. Concluding that the future of businesses depends on a strong, well-educated workforce, the MRCC is committed to ongoing collaboration between the local business community and school districts, including higher education institutions, to achieve goals of mutual interest.

### **Telecommuting and Virtual Management**

According to the London-based Sulzer Infrastructure Services, by the year 2010 more than half of all American workers will spend more than two days a week working from home, from a remote location, or at several different offices (*Workforce*, June 2003). Technology and telecommuting enables increasing numbers of employees on both a national and international level to form virtual teams to work on a variety of tasks without physically meeting. Recruiters and employment specialists work with managers to identify specific positions and staff best suited for telecommuting, while HR practitioners whose main area of focus is employment law address the legal and tax ramifications connected with telecommuting work arrangements.

### **Integrating a Contingent Workforce**

Contingent workers are noncompany employees who work in jobs structured to last a specified period of time. Most contingent workers hold from one to two assignments within a six-month period, although assignments can last as long as five years. Contingent assignments are available in virtually every field and profession. According to the Bureau of Labor Statistics, employment of contingent workers is expected to increase by nearly 1.4 million jobs by 2006, making the contingent staffing industry one of the fastest growing in the economy. HR specialists dealing with legal issues, employment, compensation, benefits, employee relations, and employee services work at ensuring proper contingent worker status in accordance with the IRS's "20-factor test," and the fair and productive integration of contingent workers into an organization's workplace.

## Work/Life Programs

By offering employees flexible hours and more benefits, such as on-site wellness programs, aerobics and yoga classes, and educational advancement opportunities, organizations with work/life programs point to reduced turnover, more highly motivated employees, and improved productivity.

Cendant Mobility Services Corp., in Danbury, Connecticut, recipient of the *HR Magazine* Innovative Practice Award (*HR Magazine*, July 2003), embodies this concept. Their work/life benefits program is credited with a dramatic reduction in turnover, plummeting from more than 25 percent in 1999 to 9.9 percent in 2002. In addition, personal and sick time use decreased more than 70 percent among program participants. Among its most popular offerings is an employee garden at company headquarters; the garden is in such great demand that Cendant must hold a lottery for available planting space.

## ESTABLISHING AN HR FUNCTION

When a company starts out, it rarely has or needs a separate HR function. Duties typically performed by human resources practitioners are initially managed by staff from other departments in addition to their other tasks. For example, managers may fill their own job openings, set starting salaries, and decide when to grant increases. Consequently, there is rarely any uniformity or consistency between the different units of an organization in the early stages of its development. Programs such as performance evaluation, tuition reimbursement, career planning, and other areas commonly associated with human resources usually do not exist at all.

It is often not until a company has grown to the point where managers have more to do than they can comfortably handle that certain functions are designated as human resources functions and “given away.” Not surprisingly, responsibilities viewed as burdensome or time-consuming are among the first. Processing the paperwork necessary to place new employees on payroll, assigning benefits, and maintaining necessary employee records are the most common tasks defined early on as human resources functions. Since these duties are clerical, the employees chosen to perform them usually have a clerical background.

## HR Staff Ratios

Establishing a human resources function because managers simply have too much to do may work—for a while. Even when it operates at an optimum level, however, a human resources function based on clerical responsibilities discarded by management is going to make a limited contribution to the organization. More important, as the organization continues to grow, the HR department will be unable to grow along with it.

A far more logical and proven approach to determining when it is appropriate to establish a human resources function is to think in terms of HR staff ratios. According to the Bureau of National Affairs's report, “HR Department

**E****Exhibit 1–2****Ten-Year History of HR Staffing Levels**

<b>Year</b>	<b>Ratio of HR Staff Members/Workers</b>
1993	1.0 per 100
1994	1.0 per 100
1995	1.1 per 100
1996	0.9 per 100
1997	1.0 per 100
1998	1.0 per 100
1999	0.9 per 100
2000	1.0 per 100
2001	1.0 per 100
2002	0.9 per 100

Benchmarks and Analysis 2002,” the median ratio of human resources staff per number of employees on company payroll is currently slightly less than one percent (0.9 per 100). This number represents the total HR staff size, including professional, technical, secretarial, and clerical employees.

HR practitioners do not worry about slight deviations in HR staff ratios, as seen during the past decade (see Exhibit 1–2). Workforce expansions and reductions-in-force have been met with commensurate adjustments in human resources staff levels. That is, HR department staff tend to expand and contract proportionally with the rest of the workforce, though probably with some lag time.

Human resources staff ratios are not identical across industry classifications. Typically, the numbers tend to be higher in banking and financial institutions, transportation, communication, utilities, and manufacturing sectors, as opposed to health care, education, government, and nonprofit arenas. The size of an organization also affects the ratio between HR staff and total number of workers: the smaller the organization, the higher the ratio. In addition, the professional and technical staff ratios drop as organizational size increases.

### **HR Budgets and Operating Costs**

Once an organization decides to establish a separate HR function, it needs to focus its attention on budgets and operating costs (total operating expenses include labor, materials and equipment, overhead, sales costs, and administration.) According to the Bureau of National Affairs report, “HR Department Benchmarks and Analysis 2002,” HR budgets for 2002 represented a median of 0.8 percent of planned organization-wide expenditures. In previous years, HR department costs ranged from a low of 0.8 percent to as high as 1.1 percent of an organization’s total operating budgets (see Exhibit 1–3).

**E****Exhibit 1–3****Ten-Year History of HR Budgets and Operating Costs**

<b>Year</b>	<b>HR Department's Percentage of Operating Costs</b>
1993	1.0 percent
1994	1.1 percent
1995	1.1 percent
1996	1.1 percent
1997	0.9 percent
1998	0.9 percent
1999	0.8 percent
2000	1.0 percent
2001	0.9 percent
2002	0.8 percent

Companies planning on establishing or revamping a human resources function should view these statistics as a guide. They should consider their own environment, present needs, projected growth, and budget, and then proceed accordingly.

**?****Think About It**

How many employees are in your organization? \_\_\_\_\_

If you currently have an HR function, how many HR staff members do you have? \_\_\_\_\_

How do your ratios compare with the statistics described? \_\_\_\_\_

If your numbers greatly exceed or fall short of the statistics, what changes could you realistically make?

**What's in a Name?**

As you can see from Exhibit 1–4, human resources professionals go by many different titles. Trying to select the most appropriate titles for human resources employees from these lists can make one dizzy. However, two sim-

**E****xhibit 1–4****HR Titles****General**

Director of HR  
 HR Administrator  
 HR Assistant  
 HR Consultant  
 HR Coordinator  
 HR Executive  
 HR Generalist  
 HR Manager  
 HR Officer  
 HR Representative  
 Vice President HR

**Specialized**

Assistant Director Career Development  
 Benefits Administrator  
 Benefits Coordinator  
 Benefits Manager  
 College Recruiting Coordinator  
 Compensation Officer  
 Compensation Administrator  
 Director of Organizational and Management Development  
 Employment Manager  
 Employee Relations Coordinator  
 Executive Recruiter  
 Exempt Recruiter  
 Hiring Administrator  
 HRIS Analyst  
 Interviewer  
 Job Evaluation Administrator  
 Job Evaluation Analyst  
 Labor Relations Hearing Officer  
 Labor Relations Manager  
 Manager Industrial Relations  
 Manager Training and Development  
 Nonexempt Recruiter  
 Recruiter  
 Research Assistant  
 Salary Administrator  
 Senior Trainer  
 Skills Trainer  
 Survey Analyst  
 Training Manager  
 Wage and Salary Manager

ple guidelines should help. First, make certain that the title selected accurately reflects the duties to be performed. At the same time, allow room for expansion, so that, as the job grows, it does not become necessary to change the title. Second, make certain that the title is consistent with the titles of other positions of comparable skill and responsibility within the company. This will help establish the credibility and importance of the HR function from the outset. You might want to narrow your list to the following most commonly used titles for first-time human resources positions: director of HR; HR administrator; HR manager; HR officer; and HR representative. Generally speaking, titles bearing the words *director*, *administrator*, and *officer* carry the most weight, with *manager* following closely behind. Carrying the

least amount of impact in this group is the word *representative*, unless, of course, positions on an equal par are referred to as representatives as well.



### Think About It

Think about the HR titles in your organization. Identify three of them in the space provided. Do they accurately reflect the duties performed? Are they consistent with the titles of other positions of comparable skill and responsibility within the company? If not, what titles would be more suitable?

HR Title	Accurately Reflects Duties	Consistent with Other Titles	More Appropriate Title
1. _____	_____	_____	_____
2. _____	_____	_____	_____
3. _____	_____	_____	_____

## THE HR FUNCTION IN SMALL AND MID-SIZED VS. LARGE ORGANIZATIONS

All organizations have nine core HR-related areas in common: legal issues, the employment process, testing, compensation, performance management, benefits administration, employee relations, training and development, and HRIS (see Exhibit 1–5). But there are several major factors that differentiate small (up to 500 employees) and mid-sized (up to 1,500 employees) from large organizations. These factors may impact the respective responsibilities of HR and non-HR practitioners.



### Exhibit 1–5

#### Core HR-Related Functions

1. Legal issues
2. Employment process
3. Testing
4. Compensation
5. Performance management
6. Benefits administration
7. Employee relations
8. Training and development
9. HRIS

## Degree of Specialization

Because of their size, large organizations require more specialized human resources functions than smaller companies (see Exhibit 1–6). HR generalists well versed in several areas of the field are usually sufficient for very small companies, and a handful of specialists in such broad human resources categories as employment, compensation, employee relations, and training are generally adequate for mid-sized companies. However, large organizations require specialists in many more aspects of human resources, such as career planning, employee assistance programs, employee attitude surveys, and suggestion programs.

Although organizations with fewer than 1,500 employees usually do not require specialists in these areas, growing companies would do well to consider incorporating some of these categories into their human resources functions. For example, career development and human resources planning can help an organization build a solid foundation of employee skills and talents as well as create a highly motivating environment in which to work; employee assistance programs can often prevent minor employee concerns from blossoming into more serious problems; employee attitude surveys can help workers feel that their opinions are valuable as well as revealing correctable problems management may not have been aware of; and suggestion programs can result in creative, cost-effective ways for companies to expand and develop.

## Number of Geographic Locations

Most large organizations have more than one location. Some have one central human resources department responsible for the HR activities of all the different locations. More commonly, however, organizations with more



### Exhibit 1–6

#### Degree of HR Specialization

#### Small Organizations

Generally well-versed in several areas of HR

#### Mid-Sized Organizations

Generally well-versed in several areas of HR; and . . .  
A handful of specialists in areas such as employment, compensation, employee relations, and training

#### Large Organizations

Generally well-versed in several areas of HR; and . . .  
Specialists in areas such as employment, compensation, employee relations, training, career planning, employee assistance programs, employee attitude surveys, and suggestion programs

than one location have auxiliary HR functions in addition to the central unit. The responsibilities of these satellite departments range from records maintenance to the full scope of HR responsibilities, such as recruiting, interviewing, compensation, benefits administration, and employee relations. Accordingly, even though everyone is working for the same parent company, some of these units operate quite independently. Indeed, simply monitoring the workflow from the several different human resources units of some large companies can be a full-time job.

### **Unionization**

Generally, the larger an organization is, the more likely it is to be unionized. In fact, many large companies must contend with several unions.

The existence of unions within a company automatically means added responsibilities for those in the human resources arena. For example, labor relations experts skilled in the art of contract negotiations and preventing further unionization are essential. Employee relations experts capable of handling union-related grievances and disciplinary matters are needed. Recruiters and interviewers must be aware of the union status of various openings and be prepared to describe accompanying union responsibilities to applicants, exercising care not to express any personal opinions about unions. And training and development specialists must be prepared to train nonunion personnel in the specific tasks ordinarily performed by union employees in the event of a walk-out or strike.

The entire structure and emphasis of an organization's human resources function, then, can be altered by the presence of unions. Small and mid-sized organizations are less likely to be similarly affected.

### **Variety of Jobs**

Not surprisingly, large organizations have the greatest number and variety of jobs. An increase in both generic and specialized positions means that more job descriptions are needed. It also means that grades and salary ranges must be established for more jobs. Of course, there are also more openings to fill. In addition, more employees must be trained, supervised, and dealt with in all HR-related matters. Hence, there is an increase of responsibilities in the areas of compensation, employment, training, and employee relations.

### **Hierarchy of Reporting Relationships**

The larger the organization, the more layers of reporting relationships there are between the bottom and top positions. With regard to human resources, this means:

- It often takes a longer time for decisions, policies, and procedures to be approved, changed, or implemented.
- Numerous signatures are often required before a seemingly simple matter is resolved.
- Employees near the lower end of the hierarchy in human resources often hesitate to express their views to those higher up.

In addition, in a multitiered environment, the person ultimately in charge of making critical human resources decisions is often not an HR specialist. Rather, an executive in charge of several different functions will rely on the expertise of lower-level human resources experts reporting to him or her and make decisions accordingly.

A complex hierarchy can also take human resources back to the “dumping ground” days from decades ago. Instead of being trained, counseled, or terminated, employees who cannot perform adequately at their jobs are placed in HR.

### **Grievances and Disciplinary Problems**

Grievances and disciplinary problems in large organizations usually require more steps and the involvement of more people, and the list of infractions leading to disciplinary action is usually longer. Also, if unions are involved, matters become that much more complicated.

One specific issue relating to grievances and discipline that large companies often face, and smaller companies are less likely to, is ensuring that employees understand acceptable and unacceptable on-the-job behavior. It seems that the larger the company is, the poorer the lines of communication. Hence, employees may find themselves being verbally warned or written up for violating rules they were not even aware of. In smaller companies, with fewer employees and reporting levels, it is more likely that management clearly communicates company procedures and what constitutes an infraction. Open communication can also preclude the necessity for grievances, since employees will have a clearer understanding of what is expected of them and what they, in turn, have the right to expect from their employer.

## **THE HR FUNCTION IN RELATION TO NON-HR FUNCTIONS**

This section is presented as a broad overview. All of the areas mentioned are examined in more detail in subsequent chapters.

An organization’s employee-related activities are performed either by HR practitioners, non-HR practitioners, or both. The actual distribution of responsibilities depends, in part, on the company’s product or services, degree of specialization, and variety of jobs. That said, and while it is difficult to state absolutely which tasks fall under the heading of HR or non-HR, there is a basic breakdown of responsibilities that works well in most environments.

Helping us to determine this allocation of responsibilities are Grace, an HR director, and Nathan, a marketing manager. Both work for the VDA Corporation, a research and development firm employing approximately 3,500 employees. Grace has identified some employee-related concerns that she feels would best be resolved if there were a clearer delineation of responsibilities on the part of HR and non-HR practitioners. She approaches Nathan as a management representative and asks if he would be receptive to working with her to accomplish this goal. He agrees. They begin the process by identifying nine primary employee-related categories and labeling each as falling

exclusively into the hands of HR practitioners, non-HR practitioners, or both. As you can see, they determine that two-thirds of these categories require a joint effort between HR and non-HR functions:

1. Legal issues	Shared
2. The employment process	Shared
3. Testing	HR
4. Compensation	Shared
5. Performance management	Shared
6. Benefits administration	HR
7. Employee relations	Shared
8. Training and development	Shared
9. Human resources information systems	HR

Nathan has no problem placing testing, benefits, and HRIS into the hands of HR staff nor does he take issue with playing some role in the employment process, compensation, performance management, employee relations, or training. He cannot, however, understand how legal issues have anything to do with him as a manager. “HR people and the lawyers are supposed to deal with the legal side of employment,” he says. “I don’t know anything about the law and I don’t want to!” Grace, however, knows better. She understands that anyone having anything whatsoever to do with employees is obliged to have at least a working knowledge of employment-related legislation and its impact on the workplace. Ultimately, she succeeds in convincing Nathan of this and he accepts partial responsibility for legal issues.

Likewise, Nathan cannot see the need for managerial involvement with HR planning until Grace explains that a manager’s input is invaluable when it comes to matters of succession planning. In addition, mentoring is an important part of career development, and that is strictly a manager’s responsibility.

Nathan and Grace congratulate one another on being able to agree on the major distribution of responsibilities and move on to the next stage. They examine each topic and break it down into subcategories, further labeling each by area of responsibility after a great deal of discussion.

## Legal Issues

Nathan has already acquiesced to needing a working knowledge of employment related legislation, but can’t see how else he needs to be involved with regard to legal issues. “Well,” begins Grace, “for starters you need to understand the possible ramifications of a manager’s questions or statements. One illegal question during an interview, for example, can end up costing VDA hundreds of thousands of dollars. Not only that, but you could be held personally liable.”

That gets Nathan’s attention. “Okay, I’m convinced that I have to be aware of how these laws impact my dealings with applicants and employees, and I guess I need to take it a step further and know how to avoid being sued, but that’s it, right?”

“Not quite,” responds Grace. “Managers also play an important role in helping VDA create, promote, and maintain a diverse work environment.”

Nathan sighs. “Just what is it you’re doing over in HR while I’m doing all this?” “Plenty,” responds Grace. “I’m doing everything you’re doing, but to a greater extent. Not only that, but I have to monitor what you and all the other managers are doing to preclude any unnecessary legal problems. In addition, I’m involved with matters of employment- and termination-at-will, negligent hiring and retention, and . . .”

“Stop! I don’t even want to know what those are,” moans Nathan. “Let’s move on to the next topic, if you don’t mind!”

### **The Employment Process**

Nathan begins: “Employment—I know what I’m supposed to do here. I interview applicants after you screen them, right?”

“Yes, says Grace, “that’s correct. But there are a few other matters managers need to tend to with regard to the employment process, including knowing how to properly document the interview and making the final selection.”

“No problem,” states Nathan. “Is that it?”

“Not quite,” replies Grace. “Managers play a vital role in the orientation of new hires.”

“I thought HR ran the orientation program,” says Nathan.

“That’s the organizational orientation,” says Grace. “Managers have to conduct a departmental orientation for their new employees.”

“All right, fine,” Nathan concedes. “Now let’s move on to what HR does!”

“A lot,” laughs Grace. “HR is responsible for all the openings throughout VDA. We have to identify productive recruitment sources, conduct the actual search for applicants, interview, help managers choose the best possible candidate, and more. Believe me, HR is very involved with the employment process. Are you ready to move on to the next topic?”

### **Testing**

Nathan knows that testing is not in his bailiwick. “I’ll just sit back and let you tell me what HR does in relation to testing,” he says.

“Fair enough,” replies Grace. “HR has to determine when it’s appropriate to give a test to applicants or employees. We then have to decide which test is suitable, administer and score the test, and determine the role the test results should play in the hiring decision. In addition to numerous skills and abilities tests, there are other categories, most significantly drug testing, psychological testing, and personality testing.”

“I’m glad that’s your job and not mine,” says Nathan. “I’m ready to talk about the next category, compensation.”

### **Compensation**

Nathan continues, “Obviously this is all about what employees get paid; I know HR is adamant about being the ones to set salaries and grant increases, so I’m not sure where non-HR people get involved here.”

“Well,” begins Grace, “you’re right when you say that compensation is about money; but there’s more involved than setting salary ranges and giving

raises, and that's where you come in. For example, in order to accurately assign a job to a particular salary range we have to be clear as to the requirements, duties, and responsibilities of that job. That means preparing job descriptions. We rely on input from a variety of sources when we write job descriptions, including managers. After all, you work with these jobs every day; who knows them better than you and the incumbents? And while it's true that HR sets the actual increases given, we value your observations and suggestions concerning any inequities you may observe in your department or division."

Nathan thinks for a moment and then comments, "That makes sense. Is there more that HR does?"

Grace responds, "Yes; we have to determine the most effective compensation program for our organization, determine position evaluation methods, conduct salary surveys, and more. But that should give you an idea. Shall we move on to our next category?"

### **Performance Management**

Nathan starts by remarking, "John, the new HR rep, just sent me an e-mail reminding me to submit my reviews by the end of the month. So let me guess: my job as a manager is to write up the performance reviews, right?"

"That's part of it, yes, but there's more. We don't want managers to merely fill out the form and send it in. The form is a summary of an employee's performance over the past year and is an important part of the review meeting..."

"Review meeting? What's that?"

Grace clears her throat and continues, "Nathan, are you telling me you've never sat down with an employee when it's time for their annual review and talked to them about their accomplishments and areas requiring improvement? Never mind, don't answer that. Let me continue. The review meeting is also the time for setting mutually agreed-upon measurable objectives and talking about other issues surrounding work. And I hope it goes without saying that you've been coaching and counseling, as needed, through the year."

Nathan is anxious to divert attention from his failure to conduct performance management meetings and being lax at coaching and counseling. He quickly asks, "What does HR do?"

Grace replies, "As usual, plenty. We focus on the many uses and components of a performance management system, and work closely with managers to ensure fair and proper processing. Ready to talk about benefits?"

### **Benefits Administration**

Nathan smiles and says, "I'm just going to sit back and let you talk since this one's all yours!"

Grace smiles back and says, "You're right, benefits administration falls into the lap of HR. This has become a really complex area; every organization needs experts to ensure a program that is fair both to the company and its workers. Fortunately for VDA, we have Justin and Lorraine to handle our benefits function. They answer all the insurance questions, deal with our insurance carriers, handle the non-health- and insurance-related offerings, and help ensure that VDA has an effective, competitive benefits plan."

“It is complicated and I’m very glad someone else has to figure it all out!” says Nathan. “OK, I’m ready for our next topic.”

### **Employee Relations**

Grace begins, “Employee relations is filled with opportunities for both HR and non-HR practitioners to get involved. For instance, managers may refer employees to HR for admittance to our employee assistance program. Also, whenever there are grievances or disciplinary action is in order, HR and managers work together toward resolution.”

Nathan jumps in with, “And I know how important the policies and procedures manual is. I refer to it all the time and often call Sammy in your department for guidance. I guess you wrote that, right?”

“Well, not me personally, but HR did write it, yes, with input from managers. That’s true of the employee handbook, too.”

“Hmmm, I’m starting to understand that HR and managers really work closely together in employee-related matters,” says Nathan. “What about training and development; do we work together there too?”

### **Training and Development**

Grace responds, “Absolutely. HR relies on managers to help determine when training is warranted, as well as the best approach to take. We work on developing the most effective methods and techniques. Then we turn back to you to help us evaluate the effectiveness of our efforts.”

“I like that,” comments Nathan. “Does training and development encompass career development?”

“Of course,” answers Grace. “We need to estimate future human resources requirements and develop strategies to ensure meeting those requirements. This includes analyzing current skills and succession planning. A manager’s input is invaluable in this regard. And it also entails mentoring. That’s where you, as a manager, may come in. At VDA we have a formal program whereby we pair up employees with mentors. Have you given any thought to being a mentor?”

Nathan pauses before answering. “I must admit I’ve been curious about the program, but frankly I thought about it more from the standpoint of being a participant.”

“That’s certainly a possibility,” comments Grace.

“Working together to make certain everyone is meeting their potential makes sense,” Nathan goes on to say.

“That’s right,” replies Grace, “When training and development is done right, the end result is likely to be growth and prosperity for both the individual employees and the organization as a whole. It’s a win-win situation for everyone.”

### **Human Resources Management Systems (HRMS)**

“HRMS technically falls under the umbrella of HR,” begins Grace, “but that doesn’t mean we don’t still work with information technology (IT) specialists

and managers on its uses and contents. Of course it's our job to select the best HRMS, ensure privacy and security, and maintain the system, but still we want to ensure that its contents are as comprehensive as possible."

Nathan replies, "I know very little about this area, so I'm more than happy to step back and let you manage it!"



### Apply What You Learn

#### The Way It Is... The Way It Could Be

Use the allocation of responsibilities in this scenario as a guide to identify the distribution of employee-related tasks between HR practitioners and non-HR practitioners in your organization. For those tasks that are shared, identify the level of cooperation between HR and others as (1) extremely cooperative, (2) somewhat cooperative, (3) not at all cooperative.

	HR	Non-HR	Both	Level of Cooperation
Legal Issues	_____	_____	_____	_____
Employment	_____	_____	_____	_____
Testing	_____	_____	_____	_____
Compensation	_____	_____	_____	_____
Performance Management	_____	_____	_____	_____
Benefits	_____	_____	_____	_____
Employee Relations	_____	_____	_____	_____
Training and Development	_____	_____	_____	_____
HRMS	_____	_____	_____	_____

Next, for every shared task that you identified as "somewhat" or "not at all" cooperative, identify ways in which the relationship could be elevated to "extremely" cooperative. What would HR have to do in order to improve the relationship? What measures would non-HR practitioners have to take to improve the level of cooperation? Is it possible that some of the tasks you identified as shared should, in fact, fall under the exclusive purview of one or the other?

#### *Legal Issues*

HR: \_\_\_\_\_

Non-HR: \_\_\_\_\_

**Apply What You Learn continues on next page.**

**Apply What You Learn** continued from previous page.*Employment*

HR: \_\_\_\_\_

Non-HR: \_\_\_\_\_

*Testing*

HR: \_\_\_\_\_

Non-HR: \_\_\_\_\_

*Compensation*

HR: \_\_\_\_\_

Non-HR: \_\_\_\_\_

*Performance Management*

HR: \_\_\_\_\_

Non-HR: \_\_\_\_\_

*Benefits*

HR: \_\_\_\_\_

Non-HR: \_\_\_\_\_

*Employee Relations*

HR: \_\_\_\_\_

Non-HR: \_\_\_\_\_

*Training and Development*

HR: \_\_\_\_\_

Non-HR: \_\_\_\_\_

**Apply What You Learn continues on next page.**

## Apply What You Learn continued from previous page.

HRMS

HR: \_\_\_\_\_

Non-HR: \_\_\_\_\_



Most people don't realize that today's human resources function dates back nearly eighty years. In its early days, HR, which was then called Personnel, focused on a handful of mundane tasks. It lacked authority, leadership, direction, and clout. Gradually, however, it acquired additional responsibilities and began to attract a higher caliber of practitioners. Soon personnel evolved into human resources in recognition of the fact that personnel reflected a more traditional reactive function, while human resources exhibited a commitment to management by anticipation. Today, HR is moving decisively toward becoming more strategically aligned with an organization's business side.

Organizations seeking to establish an HR function should be guided, in part, by staff ratios. Currently, the median ratio of human resources staff per number of employees is 0.9 per 100.

All organizations have nine key HR-related areas in common: legal issues, the employment process, testing, compensation, performance management, benefits administration, employee relations, training and development, and HRMS. But there are several factors that differentiate how these areas are handled in small and mid-sized companies versus large organizations, including degree of specialization, number of geographic locations, variety of jobs, and hierarchy of reporting relationships.

Likewise, the distribution of responsibilities between HR practitioners and non-HR practitioners may be affected by factors such as a company's product or service, degree of specialization, and variety of jobs. That said, there is a basic breakdown of responsibilities that works well in most environments: Legal issues, the employment process, compensation, performance management, employee relations, and training and development generally require a joint effort between HR and non-HR functions, while testing, benefits, and HRMS are handled by HR practitioners.



## Review Questions

1. A logical and proven approach to determining when it is appropriate to establish a human resources function is to think in terms of: 1. (a)
  - (a) HR staff ratios.
  - (b) the number and types of tasks discarded by managers.
  - (c) what other companies in your field are doing.
  - (d) projected growth.
  
2. Six of the nine primary employee-related activities are performed by both HR practitioners and non-HR practitioners. The one that managers are most likely to resist is: 2. (c)
  - (a) strategic human resources planning.
  - (b) employee relations.
  - (c) legal issues.
  - (d) compensation.
  
3. In the 1970s, the term *human resources* began to replace *personnel* in recognition of the fact that: 3. (b)
  - (a) *personnel* reminded people of a time when the function was staffed by non-decision makers and held in low regard by management.
  - (b) *personnel* was concerned primarily with employee utilization while *human resources* was also committed to making the most of employee potential.

- (c) there was a greater demand for college-educated and exempt-level employees and the term *human resources* sounded more sophisticated than *personnel*.
  - (d) with the onset of electronic information systems, the term *HRIS* was viewed more favorably than its *personnel* counterpart.
4. The primary purpose of human resources management is to: 4. (b)
- (a) help a company make money and grow.
  - (b) strike a balance between meeting the needs of employees and what best serves the market-driven needs of an organization.
  - (c) keep employees motivated and productive.
  - (d) help managers do their jobs.
5. Human resources practitioners are positioned to take on a more strategic role in achieving an organization's missions and goals. This is increasingly being accomplished through: 5. (d)
- (a) taking on even more responsibilities.
  - (b) gaining operational experience.
  - (c) enhancing personal credibility.
  - (d) a collaborative effort with an organization's financial professionals.