

part

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Creating the Human Resource Advantage

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● CHAPTER 11 **Managing Human Resources**

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PERSONAL CAREER PLAN

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CHAPTER OUTLINE

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on Employee Motivation

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of Motivation*

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Equity Theory

Expectancy Theory

Strategies for Motivating
Employees

Behavior Modification

Job Design

*Importance of Motivational
Strategies*

Motivating the Workforce

OBJECTIVES

After reading this chapter, you will be able to:

- Define human relations, and determine why its study is important.
- Summarize early studies that laid the groundwork for understanding employee motivation.
- Compare and contrast the human-relations theories of Abraham Maslow and Frederick Herzberg.
- Investigate various theories of motivation, including theories X, Y, and Z; equity theory; and expectancy theory.
- Describe some of the strategies that managers use to motivate employees.
- Critique a business's program for motivating its sales force.

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Amadeus Consulting: Where Employees Are the Company

At a time when Americans are among those working the longest hours of individuals in any developed country, many employees are tired, stressed, and pining for jobs in which they receive even the smallest amount of respect and attention. Therefore, when a company actually goes above and beyond the rare pat on the back, we should stand up and take notice. Founded in 1994, Amadeus Consulting is one such company. The company develops custom software from its headquarters in Boulder, Colorado. Founders Lisa Calkins and John Basso intended, from the beginning, to create a company for which people would be motivated to work long term.

To retain employees, Calkins and Basso believe that it is important to acknowledge the fact that employees have lives outside their jobs and to encourage a balance between life and work. To achieve this mind-set, they strive to help their employees blend work, family, community involvement, and the meeting of customer needs. It helps that Calkins and Basso are not interested in building a business only to sell it to the highest bidder; rather, they are dedicated to creating lifelong customers and employees.

Amadeus's attention to employee well-being begins with the headquarters itself. The 11,000-square-foot building is completely free from cubicles and full of windows letting in tons of light. Employees may make use of a bistro-like lounge, a living room-like meeting place, and a library. Going beyond the setting is the way employees approach their jobs. Life at Amadeus includes team lunches, at which employees are likely to discuss personal as well as work-related topics. Like many companies, Amadeus takes its employees on

continued

ENTER THE WORLD OF BUSINESS

retreats, but here families come along. Employees are also encouraged to champion causes, which Amadeus then supports.

Amadeus sounds like an ideal place to work, but does the performance match up? According to *Inc.* magazine it does. In 2007, the magazine placed Amadeus number 1,155 on its list of the 5,000 Fastest Growing Private Companies in America. Also in 2007, the company doubled its employee count and brought its revenue up to \$2.6 million. Amadeus has been named a Microsoft Gold Certified Partner, and it has won awards such as the Microsoft XP Solution Challenge for Ascriptus. The company was also named 2004 Colorado Woman-Owned Business of the Year by Business & Professional Women. Amadeus is proof that it is possible to succeed in business without leaving life behind.¹

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Introduction

Successful businesses like Amadeus teach some important lessons about how to interact with and motivate employees to do their best. Because employees do the actual work of the business and influence whether the firm achieves its objectives, most top managers agree that employees are an organization's most valuable resource. To achieve organizational objectives, employees must have the motivation, ability (appropriate knowledge and skills), and tools (proper training and equipment) to perform their jobs. These topics are the subject of Chapter 11; this chapter focuses on employee motivation.

We examine employees' needs and motivation, managers' views of workers, and several strategies for motivating employees. Managers who understand the needs of their employees can help them reach higher levels of productivity and thus contribute to the achievement of organizational goals.

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Nature of Human Relations

What motivates employees to perform on the job is the focus of **human relations**, the study of the behavior of individuals and groups in organizational settings. In business, human relations involves motivating employees to achieve organizational objectives efficiently and effectively. The field of human relations has become increasingly important over the years as businesses strive to understand how to boost workplace morale, maximize employees' productivity and creativity, and motivate their ever more diverse employees to be more effective.

Motivation is an inner drive that directs a person's behavior toward goals. A goal is the satisfaction of some need, and a need is the difference between a desired state and an actual state. Both needs and goals can be motivating. Motivation explains why people behave as they do; similarly, a lack of motivation explains, at times, why people avoid doing what they should do. A person who recognizes or feels a need is motivated to take action to satisfy the need and achieve a goal (Figure 10.1). Consider a person who feels cold. Because of the difference between the actual temperature and the desired temperature, the person recognizes a need. To satisfy the need

human relations
the study of the
behavior of individuals
and groups in
organizational settings

motivation
an inner drive that
directs a person's
behavior toward goals

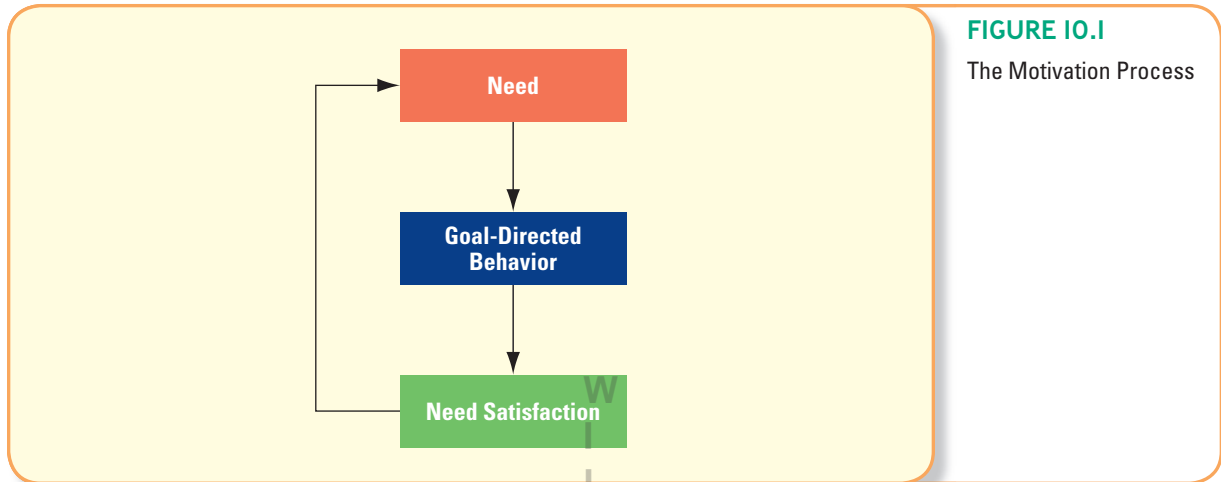


FIGURE 10.1

The Motivation Process

and achieve the goal of being warm, the person may adjust the thermostat, put on a sweater, reach for a blanket, start a fire, or hug a friend. Human relations is concerned with the needs of employees, their goals and how they try to achieve them, and the impact of those needs and goals on job performance.

One prominent aspect of human relations is **morale**—an employee’s attitude toward his or her job, employer, and colleagues. High morale contributes to high levels of productivity, high returns to stakeholders, and employee loyalty. Conversely, low morale may cause high rates of absenteeism and turnover (when employees quit or are fired and must be replaced by new employees). Google recognizes the value of happy, committed employees and strives to engage in practices that will minimize turnover. Employees have the opportunity to have a massage every other week; onsite laundry service; free all-you-can-eat gourmet meals and snacks; and the “20% a week” rule, which allows engineers to work on whatever project they want for one day each week. However, Google has recently faced turnover of employees wanting to start their own businesses and going to other companies such as Facebook. Although morale is high, employees see opportunities and are solicited heavily by other firms.²

Employees are motivated by their perceptions of extrinsic and intrinsic rewards. An **intrinsic reward** is the personal satisfaction and enjoyment that you feel from attaining a goal. For example, in this class you may feel personal enjoyment in learning how business works and aspire to have a career in business or to operate your own business one day. **Extrinsic rewards** are benefits and/or recognition that you receive from someone else. In this class, your grade is extrinsic recognition of your efforts and success in the class. In business, praise and recognition, pay increases, and bonuses are extrinsic rewards. If you believe that your job provides an opportunity to contribute to society or the environment, then that aspect would represent an intrinsic reward. Both intrinsic and extrinsic rewards contribute to motivation that stimulates employees to do their best in contributing to business goals.

Respect, involvement, appreciation, adequate compensation, promotions, a pleasant work environment, and a positive organizational culture are all morale boosters. Nike seeks to provide a comprehensive compensation and benefits package, which includes traditional elements such as medical, dental, vision, life and disability insurance, paid holidays and time off as well as sabbaticals, and team

morale
an employee’s attitude toward his or her job, employer, and colleagues

intrinsic rewards
the personal satisfaction and enjoyment feel after attaining a goal

extrinsic rewards
benefits and/or recognition received from someone else

TABLE 10.1

Top 10 Ways to Retain Great Employees

1. Satisfied employees know clearly what is expected from them every day at work.
2. The quality of the supervision an employee receives is critical to employee retention.
3. The ability of the employee to speak his or her mind freely within the organization is another key factor in employee retention.
4. Talent and skill utilization is another environmental factor your key employees seek in your workplace.
5. The perception of fairness and equitable treatment is important in employee retention.
6. Employees must have the tools, time, and training necessary to do their jobs well—or they will move to an employer who provides them.
7. The best employees, those employees you want to retain, seek frequent opportunities to learn and grow in their careers, knowledge, and skill.
8. Take time to meet with new employees to learn about their talents, abilities, and skills. Meet with each employee periodically.
9. No matter the circumstances, never, never, ever threaten an employee's job or income.
10. Staff members must feel rewarded, recognized, and appreciated.

Source: Susan M. Heathfield, "Top Ten Ways to Retain Your Great Employees," About.com, http://humanresources.about.com/od/retention/a/more_retention.htm (accessed May 15, 2008).

as well as individual compensation plans. More comprehensive benefits include employee discounts on Nike products, health care and family care reimbursement accounts, scholarships for children of employees, employee assistance plans, work/life balance resources and referrals, adoption assistance, tuition assistance, group legal plan, group long-term care plan, and matching gift programs. At the Beaverton, Oregon, world headquarters, employees may take advantage of onsite day care; onsite fitness centers, cafés and restaurants; a convenience store; an onsite hair and nail salon, annual TriMet transit pass (\$20 annual fee versus \$600); chances to test products under development; and an opportunity to become a headquarters tour guide.⁴ Many companies offer a diverse array of benefits designed to improve the quality of employees' lives and increase their morale and satisfaction. As mentioned earlier, many companies offer reward programs to improve morale, lower turnover, and motivate employees. Some of the "best companies to work for" offer onsite day care,

Did You Know? Absenteeism costs a typical large company more than \$3 million a year³

TABLE 10.2

You Can Make Their Day: Tips for the Leader about Employee Motivation

1. Use simple, powerful words.
2. Make sure people know what you expect.
3. Provide regular feedback.
4. People need positive and not so positive consequences.
5. It ain't magic. It's discipline.
6. Continue learning and trying out new ideas for employee motivation.
7. Make time for people.
8. Focus on the development of people.
9. Share the goals and the context: communicate.

Source: Susan M. Heathfield, "You Can Make Their Day: Ten Tips for the Leader About Employee Motivation," About.com, http://humanresources.about.com/od/motivationsuccess3/a/lead_motivation.htm (accessed May 15, 2008).

concierge services (e.g., dry cleaning, shoe repair, prescription renewal), domestic partner benefits to same-sex couples, and fully paid sabbaticals. Table 10.2 offers suggestions as to how leaders can motivate employees on a daily basis.

Historical Perspectives on Employee Motivation

Throughout the 20th century, researchers have conducted numerous studies to try to identify ways to motivate workers and increase productivity. From these studies have come theories that have been applied to workers with varying degrees of success. A brief discussion of two of these theories—the classical theory of motivation and the Hawthorne studies—provides a background for understanding the present state of human relations.

Classical Theory of Motivation

The birth of the study of human relations can be traced to time and motion studies conducted at the turn of the century by Frederick W. Taylor and Frank and Lillian Gilbreth. Their studies analyzed how workers perform specific work tasks in an effort to improve the employees' productivity. These efforts led to the application of scientific principles to management.

According to the **classical theory of motivation**, money is the sole motivator for workers. Taylor suggested that workers who were paid more would produce more, an idea that would benefit both companies and workers. To improve productivity, Taylor thought that managers should break down each job into its component tasks (specialization), determine the best way to perform each task, and specify the output to be achieved by a worker performing the task. Taylor also believed that incentives would motivate employees to be more productive. Thus, he suggested that managers link workers' pay directly to their output. He developed the piece-rate system, under which employees were paid a certain amount for each unit they produced; those who exceeded their quota were paid a higher rate per unit for all the units they produced.

We can still see Taylor's ideas in practice today in the use of mathematical models, statistics, and incentives. Moreover, companies are increasingly striving to relate pay to performance at both the hourly and managerial level. According to Marriott Hotels, roughly 40 percent of incentive planners choose an individual incentive to motivate and reward their employees. In contrast, team incentives are used to generate partnership and working together to accomplish organizational goals. The state of Washington offers teams 25 percent of the revenue generated (not to exceed \$10,000) as the result of a continuous improvement or total quality process.⁵

More and more corporations are tying pay to performance in order to motivate—even up to the CEO level. The topic of executive pay has become controversial in recent years, and many corporate boards of directors have taken steps to link executive compensation more closely to corporate performance. CEO compensation, although increasing, is not rising at the level of previous years. Compensation rose 5 percent, which is down from 13 percent in the previous year. Larry Ellison, CEO of Oracle, topped the list with total compensation of \$192.92 million and is considered by many to be a valuable CEO.⁶

Like most managers of the early 20th century, Taylor believed that satisfactory pay and job security would motivate employees to work hard. However, later studies showed that other factors are also important in motivating workers.

classical theory of motivation
theory suggesting that money is the sole motivator for workers



Going Green

Motivating Employees by Being Green

Interface Inc., the largest modular tile carpet maker in the United States, was founded in 1973. At the time, it was simply another company. Today, thanks to its founder Ray Anderson, Interface is a leader in sustainable and environmentally sound practices. Anderson has been featured in two environmental documentaries and received numerous awards such as the Purpose Prize from Civic Ventures and the International Quality of Life award from Auburn University.

So, what makes this company so unique and so green? Simply put, it's the company's Mission Zero, involving all employees. While team efforts to reduce the company's environmental footprint to zero by 2020 is a target, they don't plan to stop there. Once they've achieved carbon neutrality, Interface employees plan to begin working toward restoring portions of the earth in need of care. In the move toward Mission Zero, Interface recycles old carpet to avoid filling up landfills; created Cool Carpet to offset emissions; uses 100 percent recycled carpet tile backing on its Cool Blue line; and is partially powering the Cool Blue line with landfill gas captured by a method invented, in part, by Interface. Interface has also reduced its greenhouse gas emissions by 60 percent in absolute tonnage and runs many of its operations on wind and solar power. And this is just the tip of the iceberg! Interface has achieved about 50 percent of Mission Zero.

Anderson and Interface's other executives know full well that they could not achieve their goals without their dedicated employees. In fact, Anderson recently stepped down as CEO in order to educate companies and individuals around the

world about sustainability and environmentally sound practices. When the push toward Mission Zero began, Anderson asked his employees to work with him to achieve this goal. Initially, employees reacted to Mission Zero with skepticism, but today this goal gives Interface employees something to be passionate about at work—it makes their jobs meaningful, and some note that they feel great about giving their children and children around the world a better future. To motivate employees, Interface has invented the Fast Forward training program to establish every employee as a Mission Zero ambassador. Interface believes that by encouraging employees at work, they then become better spouses, parents, friends, and community members. Employees have also been encouraged to take their own steps toward helping the environment. For example, a night shift factory worker helped suggest what has become the Cool Co₂mmute program for offsetting employee commuting emissions.

There is no arguing that Mission Zero is an important step and that businesses and individuals would do well to take note of Ray Anderson and Interface and to follow this example.⁷

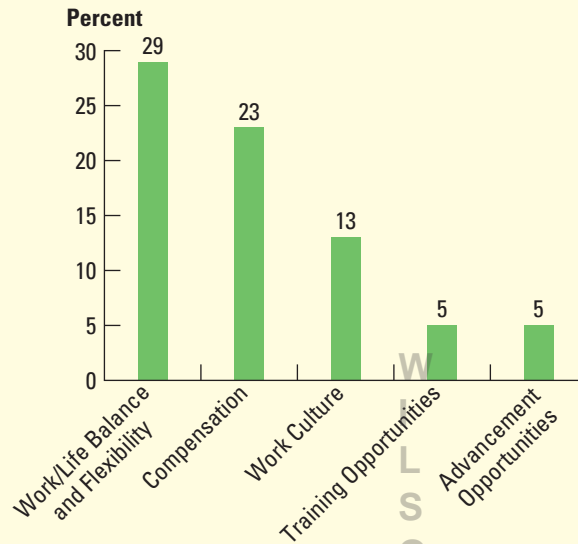
Discussion Questions

1. How does Ray Anderson set an example as CEO to motivate employees toward green business practices?
2. How does being green motivate employees in their everyday jobs?
3. What does Interface do to involve employees in its decisions for running a green business?

The Hawthorne Studies

Elton Mayo and a team of researchers from Harvard University wanted to determine what physical conditions in the workplace—such as light and noise levels—would stimulate employees to be most productive. From 1924 to 1932, they studied a group of workers at the Hawthorne Works Plant of the Western Electric Company and measured their productivity under various physical conditions.

What the researchers discovered was quite unexpected and very puzzling: Productivity increased regardless of the physical conditions. This phenomenon has been labeled the Hawthorne effect. When questioned about their behavior, the employees expressed satisfaction because their co-workers in the experiments were friendly and, more importantly, because their supervisors had asked for their help and cooperation in the study. In other words, they were responding to the attention they received, not the changing physical work conditions. The researchers concluded that social and psychological factors could significantly affect productivity and morale. Medtronic, often called the “Microsoft of the medical-device industry,” has a built-in psychological factor that influences employee morale. The company makes life-saving medical devices, such as pacemakers, neurostimulators, and stents. New hires at Medtronic receive medallions inscribed with a portion of the firm's mission statement, “alleviate pain, restore health, and extend life.” There is

**FIGURE 10.2**

Work/Life Balance Is More Important than Pay

What is the primary reason you accepted your current position?

Source: "Work-life Balance Tops Pay," *USA Today Snapshots*, March 13, 2008, p. B1.

an annual party where people whose bodies function thanks to Medtronic devices give testimonials. Obviously, Medtronic employees feel a sense of satisfaction in their jobs. Figure 10.2 indicates that work/life balance is important to many employees.

The Hawthorne experiments marked the beginning of a concern for human relations in the workplace. They revealed that human factors do influence workers' behavior and that managers who understand the needs, beliefs, and expectations of people have the greatest success in motivating their workers.

Theories of Employee Motivation

The research of Taylor, Mayo, and many others has led to the development of a number of theories that attempt to describe what motivates employees to perform. In this section, we will discuss some of the most important of these theories. The successful implementation of ideas based on these theories will vary, of course, depending on the company, its management, and its employees. It should be noted, too, that what worked in the past may no longer work today. Good managers must have the ability to adapt their ideas to an ever-changing, diverse group of employees.

Maslow's Hierarchy of Needs

Psychologist Abraham Maslow theorized that people have five basic needs: physiological, security, social, esteem, and self-actualization. **Maslow's hierarchy** arranges these needs into the order in which people strive to satisfy them (Figure 10.3).⁸

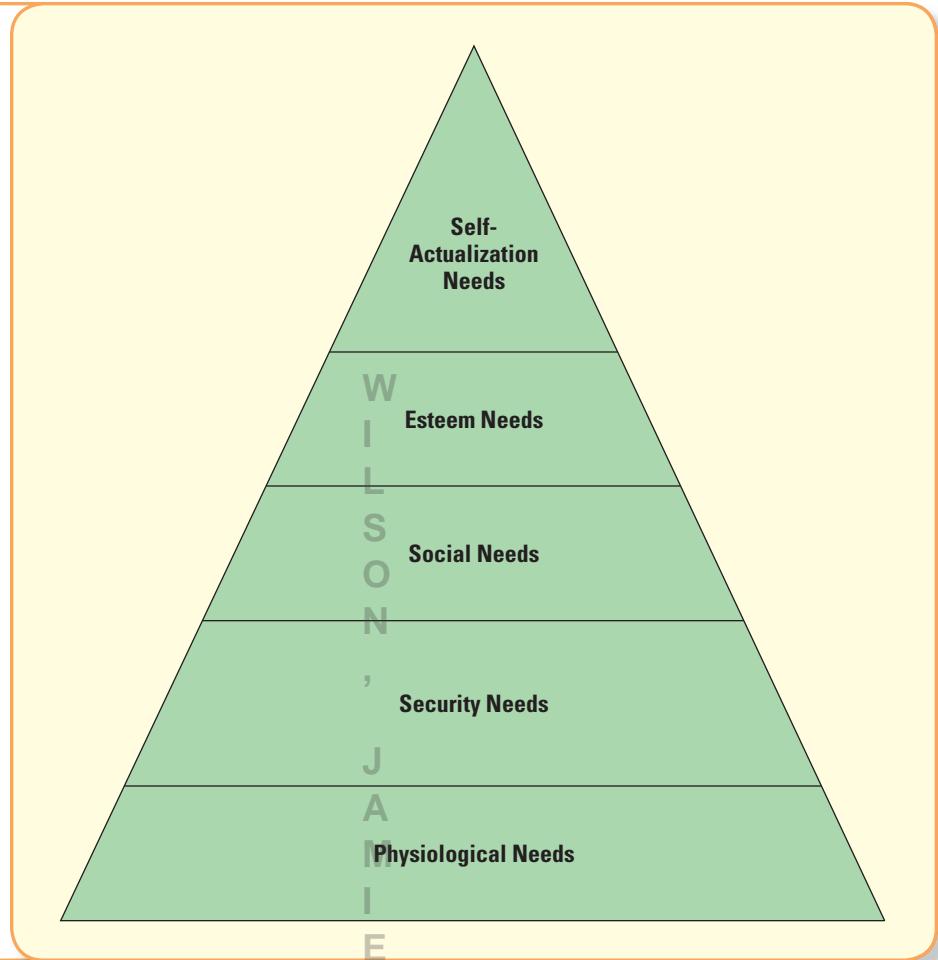


The employees who participated in the Hawthorne studies responded to the attention they received during the study and thereby improved their performance, not the changing of the physical characteristics of their workplace. Do you think the workers in this photo improved their pace or level of quality as this photo was taken?

Maslow's hierarchy a theory that arranges the five basic needs of people—physiological, security, social, esteem, and self-actualization—into the order in which people strive to satisfy them

FIGURE 10.3**Maslow's Hierarchy of Needs**

Source: Adapted from Abraham H. Maslow, "A Theory of Human Motivation," *Psychology Review* 50 (1943), pp. 370–396. American Psychology Association.



New parents who work for Colgate-Palmolive get three additional weeks of paid leave in addition to the leave mandated by the Family Leave Act. Employees can also take advantage of onsite banking, a travel agency, and film processing at work.

physiological needs the most basic human needs to be satisfied—water, food, shelter, and clothing

security needs the need to protect oneself from physical and economic harm



Physiological needs, the most basic and first needs to be satisfied, are the essentials for living—water, food, shelter, and clothing. According to Maslow, humans devote all their efforts to satisfying physiological needs until they are met. Only when these needs are met can people focus their attention on satisfying the next level of needs—security.

Security needs relate to protecting yourself from physical and economic harm. Actions that may be taken to achieve security include reporting a dangerous workplace condition to management, maintaining safety equipment, and purchasing insurance with income protection in the event you become unable to work. Once security needs have been satisfied, people may strive for social goals.

Social needs are the need for love, companionship, and friendship—the desire for acceptance by others. To fulfill social needs, a person may try many things: making friends with a co-worker, joining a group, volunteering at a hospital, throwing a party. Once their social needs have been satisfied, people attempt to satisfy their need for esteem.

Esteem needs relate to respect—both self-respect and respect from others. One aspect of esteem needs is competition—the need to feel that you can do something better than anyone else. Competition often motivates people to increase their productivity. Esteem needs are not as easily satisfied as the needs at lower levels in Maslow’s hierarchy because they do not always provide tangible evidence of success. However, these needs can be realized through rewards and increased involvement in organizational activities. Until esteem needs are met, people focus their attention on achieving respect. When they feel they have achieved some measure of respect, self-actualization becomes the major goal of life.

Self-actualization needs, at the top of Maslow’s hierarchy, mean being the best you can be. Self-actualization involves maximizing your potential. A self-actualized person feels that she or he is living life to its fullest in every way. For Stephen King, self-actualization might mean being praised as the best fiction writer in the world; for actress Halle Berry, it might mean winning an Oscar.

Maslow’s theory maintains that the more basic needs at the bottom of the hierarchy must be satisfied before higher-level goals can be pursued. Thus, people who are hungry and homeless are not concerned with obtaining respect from their colleagues. Only when physiological, security, and social needs have been more or less satisfied do people seek esteem. Maslow’s theory also suggests that if a low-level need is suddenly reactivated, the individual will try to satisfy that need rather than higher-level needs. Many laid off workers probably shift their focus from high-level esteem needs to the need for security. Almost 10,000 employees in 32 countries in business, government, and nonprofit organizations were surveyed for the Global Employee Relationship Report. Fifty percent of the respondents said they believe their organization cares about developing people for the long term, not just for their current job. Just over half of the employees believed their employers show them genuine care and concern.⁹ Managers should learn from Maslow’s hierarchy that employees will be motivated to contribute to organizational goals only if they are able to first satisfy their physiological, security, and social needs through their work.

Herzberg’s Two-Factor Theory

In the 1950s psychologist Frederick Herzberg proposed a theory of motivation that focuses on the job and on the environment where work is done. Herzberg studied various factors relating to the job and their relation to employee motivation and concluded that they can be divided into hygiene factors and motivational factors (Table 10.3).

Hygiene factors, which relate to the work setting and not to the content of the work, include adequate wages, comfortable and safe working conditions, fair company policies, and job security. These factors do not necessarily motivate employees to excel, but their absence may be a potential source of dissatisfaction and high turnover. Employee safety and comfort are clearly hygiene factors.

Many people feel that a good salary is one of the most important job factors, even more important than job security and the chance to use one’s mind and abilities. Salary and security, two of the hygiene factors identified by Herzberg, make it possible for employees to satisfy the physiological and security needs identified by

social needs
the need for love,
companionship,
and friendship—the
desire for acceptance
by others

esteem needs
the need for respect—
both self-respect and
respect from others

self-actualization needs
the need to be the best
one can be; at the top
of Maslow’s hierarchy

hygiene factors
aspects of Herzberg’s
theory of motivation
that focus on the work
setting and not the
content of the work;
these aspects include
adequate wages,
comfortable and safe
working conditions, fair
company policies, and
job security

TABLE 10.3

Herzberg's Hygiene and Motivational Factors

Hygiene Factors	Motivational Factors
Company policies	Achievement
Supervision	Recognition
Working conditions	Work itself
Relationships with peers, supervisors, and subordinates	Responsibility
Salary	Advancement
Security	Personal growth

motivational factors aspects of Herzberg's theory of motivation that focus on the content of the work itself; these aspects include achievement, recognition, involvement, responsibility, and advancement

Maslow. However, the presence of hygiene factors is unlikely to motivate employees to work harder.

Motivational factors, which relate to the content of the work itself, include achievement, recognition, involvement, responsibility, and advancement. The absence of motivational factors may not result in dissatisfaction, but their presence is likely to motivate employees to excel. Many companies are beginning to employ methods to give employees more responsibility and control and to involve them more in their work, which serves to motivate them to higher levels of productivity and quality. L.L. Bean employees have tremendous latitude to satisfy customer's needs. One employee drove 500 miles from Maine to New York to deliver a canoe to a customer who was leaving on a trip. L.L. Bean was number two on *BusinessWeek's* list of "Customer Service Champs" behind USAA Insurance. Besides empowering employees, the company has strict service training, answering every call within 20 seconds.¹⁰ Disney has a similar commitment to empowering employees and making customers happy.¹¹

Herzberg's motivational factors and Maslow's esteem and self-actualization needs are similar. Workers' low-level needs (physiological and security) have largely been satisfied by minimum-wage laws and occupational-safety standards set by various government agencies and are therefore not motivators. Consequently, to improve productivity, management should focus on satisfying workers' higher-level needs (motivational factors) by providing opportunities for achievement, involvement, and advancement and by recognizing good performance.

McGregor's Theory X and Theory Y

In *The Human Side of Enterprise*, Douglas McGregor related Maslow's ideas about personal needs to management. McGregor contrasted two views of management—the traditional view, which he called Theory X, and a humanistic view, which he called Theory Y.

According to McGregor, managers adopting **Theory X** assume that workers generally dislike work and must be forced to do their jobs. They believe that the following statements are true of workers:

1. The average person naturally dislikes work and will avoid it when possible.
2. Most workers must be coerced, controlled, directed, or threatened with punishment to get them to work toward the achievement of organizational objectives.
3. The average worker prefers to be directed and to avoid responsibility, has relatively little ambition, and wants security.¹²

Theory X McGregor's traditional view of management whereby it is assumed that workers generally dislike work and must be forced to do their jobs



Consider Ethics and Social Responsibility

Best Buy Brings Diversity to the Geek Squad

Almost all corporations use methods to motivate the workforce. Some of them are inventive, some bizarre, some fall flat, and not all have impact. However, Best Buy is taking a stance on diversity and using a powerful method to motivate its managers to support the cause. Since 2004, Best Buy has been conducting its diversity training at the Lorraine Motel, made famous by the assassination of Dr. Martin Luther King Jr. in 1968. The motel has been converted into the National Civil Rights Museum, and those who enter the museum are given a glimpse into the powerful civil rights movement.

Those at Best Buy believe that immersion is the best way to educate its managers about the need for diversity, hence the trip to Memphis. The company says it is dedicated to inclusion and wants managers to personalize this message and take it back with them to their stores to share with their employees. Through diversity training, those at Best Buy say they hope to encourage employees to be themselves.

Best Buy is also working to increase diversity in terms of its male to female employee ratios. In 2003, the company started WOLF, its Women's Leadership Forum. Through the

program, Best Buy aims to improve the experiences of both female employees and female customers. As of fiscal 2007, Best Buy had increased the number of female general managers by 40 percent, female sales managers by 100 percent, and female district managers by 200 percent. Female employees working in home theater departments increased by 100 percent, and female Geek Squad employees increased by 284 percent.

Those at Best Buy say that both methods for increasing diversity have helped the company create a more familylike atmosphere while helping increase the bottom line as well.¹³

Discussion Questions:

1. Why is racial and gender diversity important when motivating employees?
2. How does Best Buy's trip to Memphis encourage racial diversity among managers and employees?
3. Why does a diverse workforce help increase the bottom line in a retail company such as Best Buy?

Managers who subscribe to the Theory X view maintain tight control over workers, provide almost constant supervision, try to motivate through fear, and make decisions in an autocratic fashion, eliciting little or no input from their subordinates. The Theory X style of management focuses on physiological and security needs and virtually ignores the higher needs discussed by Maslow.

The Theory X view of management does not take into account people's needs for companionship, esteem, and personal growth, whereas Theory Y, the contrasting view of management, does. Managers subscribing to the **Theory Y** view assume that workers like to work and that under proper conditions employees will seek out responsibility in an attempt to satisfy their social, esteem, and self-actualization needs. McGregor describes the assumptions behind Theory Y in the following way:

1. The expenditure of physical and mental effort in work is as natural as play or rest.
2. People will exercise self-direction and self-control to achieve objectives to which they are committed.
3. People will commit to objectives when they realize that the achievement of those goals will bring them personal reward.
4. The average person will accept and seek responsibility.
5. Imagination, ingenuity, and creativity can help solve organizational problems, but most organizations do not make adequate use of these characteristics in their employees.
6. Organizations today do not make full use of workers' intellectual potential.¹⁴

Obviously, managers subscribing to the Theory Y philosophy have a management style very different from managers subscribing to the Theory X philosophy.

Theory Y

McGregor's humanistic view of management whereby it is assumed that workers like to work and that under proper conditions employees will seek out responsibility in an attempt to satisfy their social, esteem, and self-actualization needs

Theory Y managers maintain less control and supervision, do not use fear as the primary motivator, and are more democratic in decision making, allowing subordinates to participate in the process. Theory Y managers address the high-level needs in Maslow's hierarchy as well as physiological and security needs. Today, Theory Y enjoys widespread support and may have displaced Theory X.

Theory Z

Theory Z is a management philosophy that stresses employee participation in all aspects of company decision making. It was first described by William Ouchi in his book *Theory Z—How American Business Can Meet the Japanese Challenge*. Theory Z incorporates many elements associated with the Japanese approach to management, such as trust and intimacy, but Japanese ideas have been adapted for use in the United States. In a Theory Z organization, managers and workers share responsibilities; the management style is participative; and employment is long term and often lifelong. Theory Z results in employees feeling organizational ownership. Research has found that such feelings of ownership may produce positive attitudinal and behavioral effects for employees.¹⁵ In a Theory Y organization, managers focus on assumptions about the nature of the worker. The two theories can be seen as complementary. Table 10.4 compares the traditional American management style, the Japanese management style, and Theory Z (the modified Japanese management style).

Variations on Theory Z

Theory Z has been adapted and modified for use in a number of U.S. companies. One adaptation involves workers in decisions through quality circles. Quality circles (also called quality-assurance teams) are small, usually having five to eight members who discuss ways to reduce waste, eliminate problems, and improve quality, communication, and work satisfaction. Such quality teams are a common technique for harnessing the knowledge and creativity of hourly employees to solve problems in companies.

Theory Z
a management
philosophy that
stresses employee
participation in all
aspects of company
decision making

TABLE 10.4 Comparison of American, Japanese, and Theory Z Management Styles

	American	Japanese	Theory Z
Duration of employment	Relatively short term; workers subject to layoffs when business slows	Lifelong; no layoffs	Long term; layoffs rare
Rate of promotion	Rapid	Slow	Slow
Amount of specialization	Considerable; worker develops expertise in one area only	Minimal; worker develops expertise in all aspects of the organization	Moderate; worker learns all aspects of the organization
Decision making	Individual	Consensual; input from all concerned parties is considered	Consensual; emphasis on quality
Responsibility	Assigned to the individual	Shared by the group	Assigned to the individual
Control	Explicit and formal	Less explicit and less formal	Informal but with explicit performance measures
Concern for workers	Focus is on work only	Focus extends to worker's whole life	Focus includes worker's life and family

Source: Adapted from William Ouchi, *Theory Z—How American Business Can Meet the Japanese Challenge*, p. 58. © 1981 by Addison-Wesley Publishing Company, Inc. Reprinted by permission of Perseus Books Publishers, a member of Perseus Books, L.L.C.

Even more involved than quality circles are programs that operate under names such as *participative management*, *employee involvement*, or *self-directed work teams*. Regardless of the term used to describe such programs, they strive to give employees more control over their jobs while making them more responsible for the outcome of their efforts. Such programs often organize employees into work teams of 5 to 15 members who are responsible for producing an entire product item. Team members are cross-trained and can therefore move from job to job within the team. Each team essentially manages itself and is responsible for its quality, scheduling, ordering and use of materials, and problem solving. Many firms have successfully employed work teams to boost morale, productivity, quality, and competitiveness.

Equity Theory

According to **equity theory**, how much people are willing to contribute to an organization depends on their assessment of the fairness, or equity, of the rewards they will receive in exchange. In a fair situation, a person receives rewards proportional to the contribution he or she makes to the organization. However, in practice, equity is a subjective notion. Each worker regularly develops a personal input-output ratio by taking stock of his or her contribution (inputs) to the organization in time, effort, skills, and experience and assessing the rewards (outputs) offered by the organization in pay, benefits, recognition, and promotions. The worker compares his or her ratio to the input-output ratio of some other person—a “comparison other,” who may be a co-worker, a friend working in another organization, or an “average” of several people working in the organization. If the two ratios are close, the individual will feel that he or she is being treated equitably.

Let's say you have a high-school education and earn \$25,000 a year. When you compare your input-output ratio with that of a co-worker who has a college degree and makes \$35,000 a year, you will probably feel that you are being paid fairly. However, if you perceive that your personal input-output ratio is lower than that of your college-educated co-worker, you may feel that you are being treated unfairly and be motivated to seek change. But, if you learn that co-worker who makes \$35,000 has only a high-school diploma, you may feel cheated by your employer. To achieve equity, you could try to increase your outputs by asking for a raise or promotion. You could also try to have your co-worker's inputs increased or his or her outputs decreased. Failing to achieve equity, you may be motivated to look for a job at a different company.

Because almost all the issues involved in equity theory are subjective, they can be problematic. Author David Callahan has argued that feelings of inequity may underlie some unethical or illegal behavior in business. Due to employee theft and shoplifting, Wal-Mart is experiencing increased inventory losses to nearly \$3 billion on sales of more than \$348 billion. The growth is possibly tied to the company's decision to not prosecute minor cases of shoplifting. Declines in economic condition may also contribute to this growth.¹⁶ Callahan believes that employees who do not feel they are being treated equitably may be motivated to equalize the situation by lying, cheating, or otherwise “improving” their pay, perhaps by stealing.¹⁷ Managers should try to avoid equity problems by ensuring that rewards are distributed on the basis of performance and that all employees clearly understand the basis for their pay and benefits.

equity theory
an assumption that how much people are willing to contribute to an organization depends on their assessment of the fairness, or equity, of the rewards they will receive in exchange



Destination CEO Corporate Health

U.S. corporations are confronting a crisis of epic proportions. Health care and insurance costs are exorbitant. Companies have come to realize and embrace the fact that investment in proactive programs designed to promote health and healthy lifestyles is an important business decision. In fact, an investment of \$1 in proactive healthy choice programs such as exercise clinics, nutritional education, or even onsite health care clinics, saves an average of \$2 to \$3 on lost productivity.

Pitney Bowes is a leader among businesses in programs designed to promote and develop healthy lifestyles among their employees. In their corporate facilities, there is a fully staffed health care clinic, an exercise facility, and a cafeteria that emphasizes nutritionally healthy food choices including fresh fruits and vegetables. In addition, there are numerous educational programs designed to promote healthy lifestyles.

According to Pitney Bowes and to its employees, healthy employees are happier and more productive than those who are not focused on promoting healthy lifestyles. For the corporation, promoting health is a sound business decision that positively affects the bottom line, and that is great for shareholders.

These types of programs must be driven from the top down, and this is true at Pitney Bowes. The CEO walks the talk, literally. He wears a pedometer on his waist throughout the working day to ensure that he is walking a sufficient amount. If he finds that he is not meeting his goals, he will have those in his meetings walk around with him and hold the meeting in that fashion. The key to successfully promoting this proactive approach is education. More companies will be willing to make an investment in improving the health of their employees given the outstanding financial results from the Pitney Bowes experience.

Discussion Questions

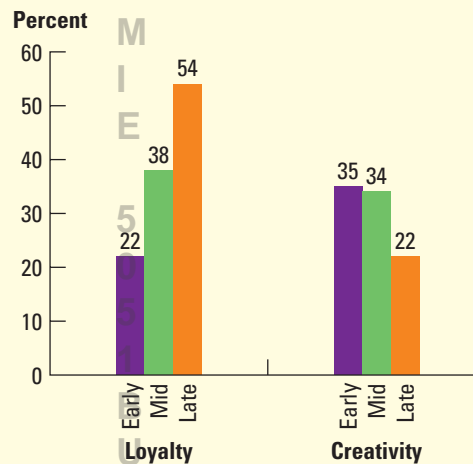
1. What is the primary motivation of companies such as Pitney Bowes in investing in health care programs?
2. Which theory of motivation would Pitney Bowes's emphasis on health care programs be most aligned with?
3. Would a health care onsite facility be a motivator or hygiene factor according to Herzberg's theory of motivation?

FIGURE 10.4

Workers' Worth

Percentage of employers attributing certain traits to workers by career stage

Source: "Workers' Worth," *USA Today Snapshots*, April 21, 2008, p. A1.



expectancy theory

the assumption that motivation depends not only on how much a person wants something but also on how likely he or she is to get it

Expectancy Theory

Psychologist Victor Vroom described **expectancy theory**, which states that motivation depends not only on how much a person wants something but also on the person's perception of how likely he or she is to get it. A person who wants something and has reason to be optimistic will be strongly motivated. For example,

say you really want a promotion. And, let's say because you have taken some night classes to improve your skills, and moreover, have just made a large, significant sale, you feel confident that you are qualified and able to handle the new position. Therefore, you are motivated to try to get the promotion. In contrast, if you do not believe you are likely to get what you want, you may not be motivated to try to get it, even though you really want it.

Strategies for Motivating Employees

Based on the various theories that attempt to explain what motivates employees, businesses have developed several strategies for motivating their employees and boosting morale and productivity. Some of these techniques include behavior modification and job design, as well as the already described employee involvement programs and work teams.

Behavior Modification

Behavior modification involves changing behavior and encouraging appropriate actions by relating the consequences of behavior to the behavior itself. The concept of behavior modification was developed by psychologist B. F. Skinner, who showed that there are two types of consequences that can modify behavior—reward and punishment. Skinner found that behavior that is rewarded will tend to be repeated, while behavior that is punished will tend to be eliminated. For example, employees who know that they will receive a bonus such as an expensive restaurant meal for making a sale over \$2,000 may be more motivated to make sales. Workers who know they will be punished for being tardy are likely to make a greater effort to get to work on time.

However, the two strategies may not be equally effective. Punishing unacceptable behavior may provide quick results but may lead to undesirable long-term side effects, such as employee dissatisfaction and increased turnover. In general, rewarding appropriate behavior is a more effective way to modify behavior.

Job Design

Herzberg identified the job itself as a motivational factor. Managers have several strategies that they can use to design jobs to help improve employee motivation. These include job rotation, job enlargement, job enrichment, and flexible scheduling strategies.

Job Rotation. **Job rotation** allows employees to move from one job to another in an effort to relieve the boredom that is often associated with job specialization. Businesses often turn to specialization in hopes of increasing productivity, but there is a negative side effect to this type of job design: Employees become bored and dissatisfied, and productivity declines. Job rotation reduces this boredom by allowing workers to undertake a greater variety of tasks and by giving them the opportunity to learn new skills. With job rotation, an employee spends a specified amount of time performing one job and then moves on to another, different job. The worker eventually returns to the initial job and begins the cycle again.

Job rotation is a good idea, but it has one major drawback. Because employees may eventually become bored with all the jobs in the cycle, job rotation does not totally eliminate the problem of boredom. Job rotation is extremely useful, however,

behavior modification
changing behavior
and encouraging
appropriate actions
by relating the
consequences
of behavior to the
behavior itself

job rotation
movement of employees
from one job to another
in an effort to relieve
the boredom often
associated with job
specialization



Nucor Corporation's 11,000-plus nonunion employees in Charlotte, North Carolina, don't see themselves as ordinary workers. There are no special benefits or compensation plans for executives, and the company's flat organizational structure encourages employees to adopt the mind-set of owner-operators.

job enlargement

the addition of more tasks to a job instead of treating each task as separate

job enrichment

the incorporation of motivational factors, such as opportunity for achievement, recognition, responsibility, and advancement, into a job

a worker's feeling of responsibility and provide opportunities for growth and advancement when the worker is able to take on the more challenging tasks. Hyatt Hotels Corporation and General Foods use job enrichment to improve the quality of work life for their employees. The potential benefits of job enrichment are great, but it requires careful planning and execution.

Flexible Scheduling Strategies. Many U.S. workers work a traditional 40-hour workweek consisting of five 8-hour days with fixed starting and ending times. Facing problems of poor morale and high absenteeism as well as a diverse workforce with changing needs, many managers have turned to flexible scheduling strategies such as flextime, compressed workweeks, job sharing, part-time work, and telecommuting. A survey by CareerBuilder.com showed that 40 percent of working fathers were offered flexible work schedules versus 53 percent of working mothers.¹⁹

in situations where a person is being trained for a position that requires an understanding of various units in an organization. Eli Lilly is a strong believer in the benefits of job rotation. The company leaves employees in their current jobs and asks them to take on additional assignments outside their field of expertise or interest. The results of the process have been positive, and Nokia is trying the same process with similar outcomes.¹⁸ Many executive training programs require trainees to spend time learning a variety of specialized jobs. Job rotation is also used to cross-train today's self-directed work teams.

Job Enlargement. **Job enlargement** adds more tasks to a job instead of treating each task as separate. Like job rotation, job enlargement was developed to overcome the boredom associated with specialization. The rationale behind this strategy is that jobs are more satisfying as the number of tasks performed by an individual increases. Employees sometimes enlarge, or craft, their jobs by noticing what needs to be done and then changing tasks and relationship boundaries to adjust. Individual orientation and motivation shape opportunities to craft new jobs and job relationships. Job enlargement strategies have been more successful in increasing job satisfaction than have job rotation strategies. IBM, AT&T, and Maytag are among the many companies that have used job enlargement to motivate employees.

Job Enrichment. **Job enrichment** incorporates motivational factors such as opportunity for achievement, recognition, responsibility, and advancement into a job. It gives workers not only more tasks within the job, but more control and authority over the job. Job enrichment programs enhance

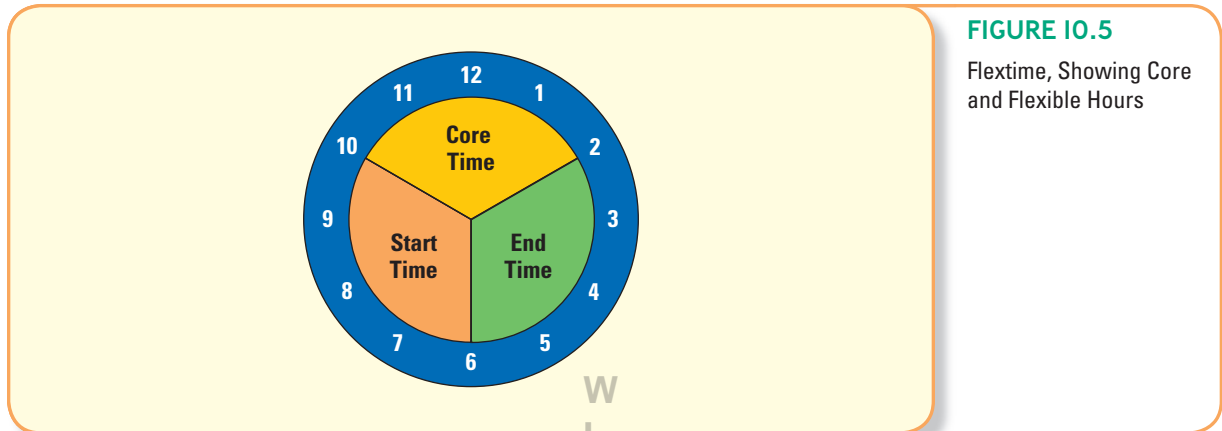


FIGURE 10.5

Flextime, Showing Core and Flexible Hours

Flextime is a program that allows employees to choose their starting and ending times, as long as they are at work during a specified core period (Figure 10.5). It does not reduce the total number of hours that employees work; instead, it gives employees more flexibility in choosing which hours they work. A firm may specify that employees must be present from 10:00 a.m. to 3:00 p.m. One employee may choose to come in at 7:00 a.m. and leave at the end of the core time, perhaps to attend classes at a nearby college after work. Another employee, a mother who lives in the suburbs, may come in at 9:00 a.m. in order to have time to drop off her children at a day-care center and commute by public transportation to her job. Flextime provides many benefits, including improved ability to recruit and retain workers who wish to balance work and home life. Customers can be better served by allowing more coverage of customers over longer hours, workstations and facilities can be better utilized by staggering employee use, and rush hour traffic may be reduced. In addition, flexible schedules have been associated with an increase in healthy behaviors on the part of employees. More flexible schedules are associated with healthier lifestyle choices such as increased physical activity and healthier sleep habits.²⁰

Related to flextime are the scheduling strategies of the compressed workweek and job sharing. The **compressed workweek** is a four-day (or shorter) period in which an employee works 40 hours. Under such a plan, employees typically work 10 hours per day for four days and have a three-day weekend. The compressed workweek reduces the company's operating expenses because its actual hours of operation are reduced. It is also sometimes used by parents who want to have more days off to spend with their families. The U.S. Bureau of Labor Statistics notes that the following career options provide greater flexibility in scheduling: medical transcriptionist, financial manager, nurse, database administrator, accountant, software developer, physical therapist assistant, paralegal, graphic designer, and private investigator.²¹

Job sharing occurs when two people do one job. One person may work from 8:00 a.m. to 12:30 p.m.; the second person comes in at 12:30 p.m. and works until 5:00 p.m. Job sharing gives both people the opportunity to work as well as time to fulfill other obligations, such as parenting or school. Thirty percent of companies allow job sharing.²² With job sharing, the company has the benefit of the skills of

flextime
a program that allows employees to choose their starting and ending times, provided that they are at work during a specified core period

compressed workweek
a four-day (or shorter) period during which an employee works 40 hours

job sharing
performance of one full-time job by two people on part-time hours

two people for one job, often at a lower total cost for salaries and benefits than one person working eight hours a day would be paid.

Two other flexible scheduling strategies attaining wider use include allowing full-time workers to work part time for a certain period and allowing workers to work at home either full or part time. Employees at some firms may be permitted to work part time for several months in order to care for a new baby or an elderly parent or just to slow down for a little while to “recharge their batteries.” By 2020, 40 percent of U.S. workers will be caring for an aging parent, and employees are expected to demand benefits that reflect this major shift.²³ When the employees return to full-time work, they are usually given a position comparable to their original full-time position. Other firms are allowing employees to telecommute or telework (work at home a few days of the week), staying connected via computers, modems, and telephones. More than 45 million Americans work from home. Of those who work “at home,” the average number of places these individuals work is 3.4, and these places can include home, car, and restaurant or coffee shop.²⁴ Table 10.6 shows the companies in the *Fortune* 100 Best Companies to Work For with the highest percentage of telecommuters. Although many employees ask for the option of working at home to ease the responsibilities of caring for family members, some have discovered that they are more productive at home without the distractions of the workplace. An assessment of 12 company telecommuting programs, including Apple, AT&T, and the state of California, found that positive productivity changes occurred. Traveler’s Insurance Company reports its telecommuters to be 20 percent more productive than its traditional employees.²⁵ Other employees, however, have discovered that they are not suited for working at home. Human resource management executives are split as to whether telecommuting helps or hurts employees’ careers. Thirty percent feel telecommuting helps their careers, 25 percent feel that it hurts, while 39 percent feel it does neither.²⁶ Still, work-at-home programs do help reduce overhead costs for businesses. For example, some companies used to maintain a surplus of office space but have reduced the surplus through employee telecommuting, “hoteling” (being assigned to a desk through a reservation system), and “hot-desking” (several people using the same desk but at different times).

Companies are turning to flexible work schedules to provide more options to employees who are trying to juggle their work duties with other responsibilities and

TABLE 10.6

Best Companies to Work For

Companies with Most Opportunities for Telecommuters in the *Fortune* “100 Best Companies to Work For”

Company	Best Companies Rank
Cisco Systems	6
eBay	69
Booz Allen Hamilton	81
S.C. Johnson & Son	27
American Fidelity Assurance	24
Shared Technologies	25
Principal Financial Group	21
Goldman Sachs	9
Yahoo	87
Qualcomm	8

Source: <http://money.cnn.com/magazines/fortune/bestcompanies/2008/benefits/telecommuting.html>, (accessed June 2, 2008).



Entrepreneurship in Action

Matching Workers with Employers

Eli Portnoy

Business: HireWorkers.com

Founded: 2005

Success: Eli Portnoy founded HireWorkers.com in 2005 with \$20,000 startup money. The company has done almost \$2 million in sales.

A large number of low-wage jobs in the United States are filled by Latin American immigrants. Both finding and filling these jobs can be difficult. Jobseekers looking for low-wage jobs such as janitor, housekeeper, dishwasher, and so on often lack access to the Internet. As a result, those looking to hire these workers have three options: posting a “help wanted” sign, advertising in print classifieds, or hiring a staffing agency. The last two commonly used options can be expensive for employers. As a Mexican immigrant himself, Portnoy understood the problems immigrant jobseekers face and saw an opportunity to fill a void and help both low-wage

jobseekers and their employers. Portnoy designed HireWorkers.com. Jobseekers are able to fill out HireWorkers.com postcards with their job experience and background information. Portnoy’s company distributes these postcards to a large number of retail locations (a form is also available online for those who do have Internet access). The HireWorkers.com service is free for jobseekers. Employers may use HireWorkers.com to post jobs and to search the company’s database. Fees begin at \$69 to post a job for a month and go up to \$99 to search the database. Once jobseekers and employers have entered information with HireWorkers.com, the company’s system goes to work. Via patent-pending technology, the company is able to match employers’ requests with appropriate jobseekers in as little as two hours. Once matches have been made, the system automatically sends phone calls to the jobseekers. Portnoy says there are currently around 1 million low-wage jobs available per month in the United States. HireWorkers.com makes filling and finding these jobs easier.²⁷

needs. Preliminary results indicate that flexible scheduling plans increase job satisfaction, which, in turn, leads to increases in productivity. Some recent research, however, has indicated there are potential problems with telecommuting. Some managers are reluctant to adopt the practice because the pace of change in today’s workplace is faster than ever, and telecommuters may be left behind or actually cause managers more work in helping them stay abreast of changes. Some employers also worry that telecommuting workers create a security risk by creating more opportunities for computer hackers or equipment thieves. Some employees have found that working outside the office may hurt career advancement opportunities, and some report that instead of helping them balance work and family responsibilities, telecommuting increases the strain by blurring the barriers between the office and home. Co-workers call at all hours, and telecommuters are apt to continue to work when they are not supposed to (after regular business hours or during vacation time).²⁸



After implementing its Initiative for the Retention and Advancement of Women, the accounting firm Deloitte can now boast that it has the highest percentage of women partners among America’s Big Four public accounting firms. The program has been successful because many of the initiatives are aimed at both women and men. For example, Deloitte is now testing a “mass career customization” program that allows employees to increase or decrease their work responsibilities as their personal needs change over the course of their careers.

Importance of Motivational Strategies

Motivation is more than a tool that managers can use to foster employee loyalty and boost productivity. It is a process that affects all the relationships within an

organization and influences many areas such as pay, promotion, job design, training opportunities, and reporting relationships. Employees are motivated by the nature of the relationships they have with their supervisors, by the nature of their jobs, and by characteristics of the organization. Even the economic environment can change an employee's motivation. In a slow growth or recession economy, sales can flatten or decrease and morale can drop because of the need to cut jobs. The firm may have to work harder to keep good employees and to motivate all employees to work to overcome obstacles.²⁹ New rewards or incentives may help motivate workers in such economies. Motivation tools, then, must be varied as well. Managers can further nurture motivation by being honest, supportive, empathetic, accessible, fair, and open. Motivating employees to increase satisfaction and productivity is an important concern for organizations seeking to remain competitive in the global marketplace.

So You Think You May Be Good at Motivating a Workforce

If you are good at mediation, smoothing conflict, and have a good understanding of motivation and human relations theories, then you might be a good leader, human resource manager, or training expert. Most organizations, especially as they grow, will need to implement human relations programs. These are necessary to teach employees about sensitivity to other cultures, religions, and beliefs, as well as for teaching the workforce about the organization so that they understand how they fit in the larger picture. Employees need to appreciate the benefits of working together to make the firm run smoothly, and they also need to understand how their contributions help the firm. To stay motivated, most employees need to feel like what they do each day contributes something of value to the firm. Disclosing information and including employees in decision-making processes will also help employees feel valuable and wanted within the firm.

There are many different ways employers can reward and encourage employees. However, employers must be careful when considering what kinds of incentives to use. Different cultures value different kinds of incentives more highly than others. For example, a Japanese worker would probably not like it if she were singled out from the group and given a large cash bonus as reward for her work. Japanese workers tend to be more group oriented, and therefore anything that singles out individuals would not be an effective way of rewarding and motivating. American workers, on the other hand, are very individualistic, and a raise and public praise might be more effective. However, what might motivate a younger employee

(bonuses, raises, and perks) may not be the same as what motivates a more seasoned, experienced, and financially successful employee (recognition, opportunity for greater influence, and increased training). Motivation is not an easy thing to understand, especially as firms become more global and more diverse.

Another important part of motivation is enjoying where you work and your career opportunities. Here is a list of the best places to do business and start careers in the United States, according to *Forbes* magazine. Chances are, workers who live in these places have encountered fewer frustrations than those places at the bottom of the list and, therefore, would probably be more content with where they work.³⁰

Best Places for Business and Careers

Rank	Metro Area	Job Growth Rank	Metro Area Population (in thousands)
1.	Raleigh, NC	21	1,034
2.	Boise, ID	13	585
3.	Fort Collins, CO	80	281
4.	Des Moines, IA	60	543
5.	Lexington, KY	110	443
6.	Atlanta, GA	69	5,266
7.	Richmond, VA	75	1,211
8.	Olympia, WA	22	240
9.	Spokane, WA	36	452
10.	Knoxville, TN	84	673

Review Your Understanding

Define human relations, and determine why its study is important.

Human relations is the study of the behavior of individuals and groups in organizational settings. Its focus is what motivates employees to perform on the job. Human relations is important because businesses need to understand how to motivate their increasingly diverse employees to be more effective, boost workplace morale, and maximize employees' productivity and creativity.

Summarize early studies that laid the groundwork for understanding employee motivation.

Time and motion studies by Frederick Taylor and others helped them analyze how employees perform specific work tasks in an effort to improve their productivity. Taylor and the early practitioners of the classical theory of motivation felt that money and job security were the primary motivators of employees. However, the Hawthorne studies revealed that human factors also influence workers' behavior.

Compare and contrast the human-relations theories of Abraham Maslow and Frederick Herzberg.

Abraham Maslow defined five basic needs of all people and arranged them in the order in which they must be satisfied: physiological, security, social, esteem, and self-actualization. Frederick Herzberg divided characteristics of the job into hygiene factors and motivational factors. Hygiene factors relate to the work environment and must be present for employees to remain in a job. Motivational factors—recognition, responsibility, and advancement—relate to the work itself. They encourage employees to be productive. Herzberg's hygiene factors can be compared to Maslow's physiological and security needs; motivational factors may include Maslow's social, esteem, and self-actualization needs.

Investigate various theories of motivation, including Theories X, Y, and Z; equity theory; and expectancy theory.

Douglas McGregor contrasted two views of management: Theory X (traditional) suggests workers dislike work, while theory Y (humanistic) suggests that workers not only like

work but seek out responsibility to satisfy their higher-order needs. Theory Z stresses employee participation in all aspects of company decision making, often through participative management programs and self-directed work teams. According to equity theory, how much people are willing to contribute to an organization depends on their assessment of the fairness, or equity, of the rewards they will receive in exchange. Expectancy theory states that motivation depends not only on how much a person wants something but also on the person's perception of how likely he or she is to get it.

Describe some of the strategies that managers use to motivate employees.

Strategies for motivating workers include behavior modification (changing behavior and encouraging appropriate actions by relating the consequences of behavior to the behavior itself) and job design. Among the job design strategies businesses use are job rotation (allowing employees to move from one job to another to try to relieve the boredom associated with job specialization), job enlargement (adding tasks to a job instead of treating each task as a separate job), job enrichment (incorporating motivational factors into a job situation), and flexible scheduling strategies (flextime, compressed work weeks, job sharing, part-time work, and telecommuting).

Critique a business's program for motivating its sales force.

Using the information presented in the chapter, you should be able to analyze and defend Eagle Pharmaceutical's motivation program in "Solve the Dilemma" on page 317 including the motivation theories the firm is applying to boost morale and productivity.

Revisit the World of Business

1. In what ways do founders Lisa Calkins and John Basso motivate employees for the long term?
2. How does Amadeus's office building help motivate employees?
3. What could other companies learn from Amadeus's performance in relation to its treatment of employees?

Learn the Terms

behavior modification	309	hygiene factors	303	motivational factors	304
classical theory of motivation	299	intrinsic rewards	297	physiological needs	302
compressed workweek	311	job enlargement	310	security needs	302
equity theory	307	job enrichment	310	self-actualization needs	303
esteem needs	303	job rotation	309	social needs	303
expectancy theory	308	job sharing	311	Theory X	304
extrinsic rewards	297	Maslow's hierarchy	301	Theory Y	305
flextime	311	morale	297	Theory Z	306
human relations	296	motivation	296		

Check Your Progress

1. Why do managers need to understand the needs of their employees?
2. Describe the motivation process.
3. What was the goal of the Hawthorne studies? What was the outcome of those studies?
4. Explain Maslow's hierarchy of needs. What does it tell us about employee motivation?
5. What are Herzberg's hygiene and motivational factors? How can managers use them to motivate workers?
6. Contrast the assumptions of Theory X and Theory Y. Why has Theory Y replaced Theory X in management today?
7. What is Theory Z? How can businesses apply Theory Z to the workplace?
8. Identify and describe four job-design strategies.
9. Name and describe some flexible scheduling strategies. How can flexible schedules help motivate workers?
10. Why are motivational strategies important to both employees and employers?

Get Involved

1. Consider a person who is homeless: How would he or she be motivated and what actions would that person take? Use the motivation process to explain. Which of the needs in Maslow's hierarchy are likely to be most important? Least important?
2. View the video *Cheaper by the Dozen* (1950) and report on how the Gilbreths tried to incorporate their passion for efficiency into their family life.
3. What events and trends in society, technology, and economics do you think will shape human relations management theory in the future?

Build Your Skills



MOTIVATING

Background:

Do you think that, if employers could make work more like play, employees would be as enthusiastic about their jobs as they are about what they do in their leisure time? Let's see where this idea might take us.

Task:

After reading the "Characteristics of PLAY," place a ✓ in column one for those characteristics you have experienced in your leisure time activities. Likewise, check column three for those "Characteristics of WORK" you have experienced in any of the jobs you've held.

W
I
L
S
O
N
,
J
A
M
I
E

3
O
5
1
B
U

All That Apply	Characteristics of PLAY	All That Apply	Characteristics of WORK
	<ol style="list-style-type: none"> 1. New games can be played on different days. 2. Flexible duration of play. 3. Flexible time of when to play. 4. Opportunity to express oneself. 5. Opportunity to use one's talents. 6. Skillful play brings applause, praise, and recognition from spectators. 7. Healthy competition, rivalry, and challenge exist. 8. Opportunity for social interaction. 9. Mechanisms for scoring one's performance are available (feedback). 10. Rules ensure basic fairness and justice. 		<ol style="list-style-type: none"> 1. Job enrichment, job enlargement, or job rotation. 2. Job sharing. 3. Flextime, telecommuting. 4. Encourage and implement employee suggestions. 5. Assignment of challenging projects. 6. Employee-of-the-month awards, press releases, employee newsletter announcements. 7. Production goals with competition to see which team does best. 8. Employee softball or bowling teams. 9. Profit sharing; peer performance appraisals. 10. Use tactful and consistent discipline.

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Discussion Questions

1. What prevents managers from making work more like play?
2. Are these forces real, or imagined?

3. What would be the likely (positive and negative) results of making work more like play?
4. Could others in the organization accept such creative behaviors?

Solve the Dilemma



MOTIVATING TO WIN

Eagle Pharmaceutical has long been recognized for its innovative techniques for motivating its salesforce. It features the salesperson who has been the most successful during the previous quarter in the company newsletter, "Touchdown." The salesperson also receives a football jersey, a plaque, and \$1,000 worth of Eagle stock. Eagle's "Superbowl Club" is for employees who reach or exceed their sales goal, and a "Heisman Award," which includes a trip to the Caribbean, is given annually to the top 20 salespeople in terms of goal achievement.

Eagle employs a video conference hook-up between the honored salesperson and four regional sales managers to capture some of the successful tactics and strategies

the winning salesperson uses to succeed. The managers summarize these ideas and pass them along to the salespeople they manage. Sales managers feel strongly that programs such as this are important and that, by sharing strategies and tactics with one another, they can be a successful team.

Discussion Questions

1. Which motivational theories are in use at Eagle?
2. What is the value of getting employees to compete against a goal instead of against one another?
3. Put yourself in the shoes of one of the four regional sales managers and argue against potential cutbacks to the motivational program.

Build Your Business Plan



MOTIVATING THE WORKFORCE

As you determine the size of your workforce, you are going to face the reality that you cannot provide the level of financial compensation that you would like to your employees, especially when you are starting your business.

Many employees are motivated by other things than money. Knowing that they are appreciated and doing a good job can bring great satisfaction to employees. Known as “stroking,” it can provide employees with internal gratification that can be valued even more than financial incen-

tives. Listening to your employees’ suggestions, involving them in discussions about future growth and valuing their input, can go a long way toward building loyal employees and reducing employee turnover.

Think about what you could do in your business to motivate your employees without spending much money. Maybe you will have lunch brought in once a week or offer tickets to a local sporting event to the employee with the most sales. Whatever you elect to do, you must be consistent and fair with all your employees.

See for Yourself Videocase



TAKING VACATIONS CAN IMPROVE YOUR CAREER

It might surprise you to learn that about 36 percent of workers use little or none of their paid vacation time. Much about the workplace contributes to this issue.

Many companies, in America at least, maintain a work, work, work, 24/7 mind-set, causing employees to fear that taking time off will indicate that they lack the dedication needed to maintain or move up in their positions. Another major deterrent for the employee wary of taking a vacation is the amount of work that will be waiting upon his or her return. Some employees rack up so many e-mails and voice-mail messages that they are unable to get their main work done for days as they play catch-up.

Not taking vacation time can be dangerous for both employers and employees. On the employer side, employees who lack energy and motivation can use up valuable work time puttering around. Tired employees can also make costly mistakes. On the employee side, not taking vacations can lead to burnout and serious mental and physical illness. If an employee gets ill due to the increased stress, this also has a negative impact on the employer.

Vacation and down time have long been valued in other parts of the world such as Europe, Canada, and Australia, and now a small number of American companies are beginning to realize the benefits of employees taking their allotted vacation time, thanks to research to support these benefits. The Families and Work Institute states that employees should always take their vacations and that vacations lasting more than a few days create greater benefit. The Institute claims that employees who take vacations are more productive and more creative at work. A recent Expedia.com survey reported that 80 percent of those surveyed claimed that after taking a true vacation

they felt more enthusiastic about their jobs. There are also the health benefits to consider of the reduced stress and extra rest time gained during a vacation.

However, another problem presents itself. Even when one takes a vacation, in the age of the Internet and remote access it’s challenging to truly get away. Rosemary Haefner of CareerBuilder.com suggests that advanced planning may be the ticket to a true vacation, and Deb Perelman of eWeek.com offers the following advice:

- Let the office know about your vacation well in advance.
- Schedule vacations at times when you’re less likely to be needed and when crises (if these are ever possible to predict) are less likely to occur, such as between major projects.
- Schedule one specific time to check in with the office and stick to it. Make sure everyone else sticks to it as well.
- Make use of your “Out of the Office” auto reply on both e-mail and voice-mail. This may cut down a bit on the number of messages waiting upon your return.

For those who compulsively check in with the office, certain hotels offer to lock up cell phones and PDAs!

A number of companies are beginning to encourage employees to take advantage of vacation time. Here are a few examples:

- Electronics giant Sanyo gives employees who volunteer for social causes during certain workdays the chance to earn up to six extra paid days off annually.
- Software company Hyperion allows its employees to earn Extended Paid Time Off if they remain employed

with the company continuously from one year to the next.

- The wireless provider T-Mobile allows employees to begin earning paid vacation time as soon as they start working for the company. In many companies, vacation time is earned only after one or more years with the company.

Although there is often an imbalance between the work and personal lives of many employees throughout the United States, research clearly states that both employers and employees would benefit by each person taking his or her allotted vacation time. Health, productivity, and creativity are all given a boost when employees take time to relax and recuperate.³¹

Discussion Questions

1. What are some reasons employees do not take all of the vacation time allotted to them?
2. What can employers do to actively encourage employees to take their vacation time?
3. What are the benefits of employee vacations, both to the employer and to the employee?

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CHAPTER OUTLINE

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OBJECTIVES

After reading this chapter, you will be able to:

- Define human resources management, and explain its significance.
- Summarize the processes of recruiting and selecting human resources for a company.
- Discuss how workers are trained and their performance appraised.
- Identify the types of turnover companies may experience, and explain why turnover is an important issue.
- Specify the various ways a worker may be compensated.
- Discuss some of the issues associated with unionized employees, including collective bargaining and dispute resolution.
- Describe the importance of diversity in the workforce.
- Assess an organization's efforts to reduce its workforce size and manage the resulting effects.



Managing the Workforce during Slow Times

Developing and compensating the workforce is challenging in good economic times but even more difficult during an economic slowdown. During the most recent downturn in the economy, many workers are faced with a squeeze on their pay and benefits. The downturn, combined with rapidly increasing energy prices and declining home values, placed many employees' standard of living in jeopardy. Millions of people have managed to keep their jobs, yet they have seen their pay slashed, or they have lost important benefits.

While mergers and layoffs reduce the payroll for many companies, nearly all employees who receive at least part of their compensation in the form of commissions suffer a snowball pay decline, affecting a number of industries. If a saleswoman receives a smaller commission, for example, she is likely to tip less at her next restaurant meal, in turn lowering the wait staff's salary. It is estimated that 25 million employees at just the 1,500 largest companies receive some type of variable pay. This means at least part of their pay is based on performance, commissions, or other nonguaranteed compensation. For example, there are 1.25 million real estate agents and 229,100 new car salespersons whose income depends on sales. In the recent economic downturn, these two industries saw a significant sales drop. Not included in these numbers are the 20 million individuals who the Small Business Administration says own their own businesses but have no employees. In addition, there are nearly 5 million small businesses that employ 10 or fewer workers, often using variable pay. With a downturn in the economy, everything slows down, including the time it takes to execute a business plan or gain partners

continued

ENTER THE WORLD OF BUSINESS

to help financially as everyone becomes more cautious. In these situations, it is important to reassure good workers about their performance and how the organization plans to compensate them in the long run. While some workers may choose to keep their position in spite of pay cuts, the very best employees may always have other options.

Fair treatment of employees includes honoring compensation contracts and not violating labor law. For example, the Fair Labor Standards Act in 2004 established guidelines that employees must make more than \$455 a week to be ineligible for overtime pay, a sharp increase over the previous benchmark of \$250 a week. As a result, 1.3 million workers suddenly qualified for extra pay. The number of overtime lawsuits has exploded over the last few years. This means employers can get caught off guard during slow times by pushing employees to work overtime without pay.

With escalating gas prices, some companies try to help employees save money by allowing them to work four 10-hour days instead of five 8-hour days. A flexible schedule that helps to eliminate one day of commuting improves the environment and improves morale. Some employers try to help workers cope with higher gas prices by telecommuting (working from their home). Anything that an organization can do to appreciate and help employees during a slow time in the economy can pay results in the long run.¹

Introduction

Of course, most firms do not recruit such loyal and motivated employees, but these are vital tasks in any organization. If a business is to achieve success, it must have sufficient numbers of employees who are qualified and motivated to perform the required duties. Thus, managing the quantity (from hiring to firing) and quality (through training, compensating, and so on) of employees is an important business function. Meeting the challenge of managing increasingly diverse human resources effectively can give a company a competitive edge in a global marketplace.

This chapter focuses on the quantity and quality of human resources. First we look at how human resources managers plan for, recruit, and select qualified employees. Next we look at training, appraising, and compensating employees, aspects of human resources management designed to retain valued employees. Along the way, we'll also consider the challenges of managing unionized and diverse employees.

The Nature of Human Resources Management

Chapter 1 defined human resources as labor, the physical and mental abilities that people use to produce goods and services. **Human resources management (HRM)** refers to all the activities involved in determining an organization's human resources needs, as well as acquiring, training, and compensating people to fill those needs. Human resources managers are concerned with maximizing the satisfaction

human resources management (HRM) all the activities involved in determining an organization's human resources needs, as well as acquiring, training, and compensating people to fill those needs

of employees and motivating them to meet organizational objectives productively. In some companies, this function is called personnel management.

HRM has increased in importance over the last few decades, in part because managers have developed a better understanding of human relations through the work of Maslow, Herzberg, and others. Moreover, the human resources themselves are changing. Employees today are concerned not only about how much a job pays; they are concerned also with job satisfaction, personal performance, leisure, the environment, and their opportunities for advancement. Once dominated by white men, today's workforce includes significantly more women, African Americans, Hispanics, and other minorities, as well as disabled and older workers. Human resources managers must be aware of these changes and leverage them to increase the productivity of their employees. Every manager practices some of the functions of human resources management at all times.

Planning for Human Resources Needs

When planning and developing strategies for reaching the organization's overall objectives, a company must consider whether it will have the human resources necessary to carry out its plans. After determining how many employees and what skills are needed to satisfy the overall plans, the human resources department (which may range from the owner in a small business to hundreds of people in a large corporation) ascertains how many employees the company currently has and how many will be retiring or otherwise leaving the organization during the planning period. With this information, the human resources manager can then forecast how many more employees the company will need to hire and what qualifications they must have, or determine if layoffs are required to meet demand more efficiently. HRM planning also requires forecasting the availability of people in the workforce who will have the necessary qualifications to meet the organization's future needs. The human resources manager then develops a strategy for satisfying the organization's human resources needs.

Next, managers analyze the jobs within the organization so that they can match the human resources to the available assignments. **Job analysis** determines, through observation and study, pertinent information about a job—the specific tasks that comprise it; the knowledge, skills, and abilities necessary to perform it; and the environment in which it will be performed. Managers use the information obtained through a job analysis to develop job descriptions and job specifications.

A **job description** is a formal, written explanation of a specific job that usually includes job title, tasks to be performed (for instance, waiting on customers), relationship with other jobs, physical and mental skills required (such as lifting heavy boxes or calculating data), duties, responsibilities, and working conditions. A **job specification** describes the qualifications necessary for a specific job, in terms of education (some jobs require a college degree), experience, personal characteristics (ads frequently request outgoing, hardworking persons), and physical characteristics. Both the job description and job specification are used to develop recruiting materials such as newspaper, trade publications, and online advertisements.

Recruiting and Selecting New Employees

After forecasting the firm's human resources needs and comparing them to existing human resources, the human resources manager should have a general idea of how many new employees the firm needs to hire. With the aid of job analyses,

job analysis
the determination, through observation and study, of pertinent information about a job—including specific tasks and necessary abilities, knowledge, and skills

job description
a formal, written explanation of a specific job, usually including job title, tasks, relationship with other jobs, physical and mental skills required, duties, responsibilities, and working conditions

job specification
a description of the qualifications necessary for a specific job, in terms of education, experience, and personal and physical characteristics



For more than 50 years, the U.S. Army has recruited soldiers from American colleges around the country. In fact, the Army generates more officers through its Reserve Officers Training Corps (ROTC) college program than the U.S. Military Academy.

recruiting
forming a pool of qualified applicants from which management can select employees

selection
the process of collecting information about applicants and using that information to make hiring decisions

management can then recruit and select employees who are qualified to fill specific job openings.

Recruiting

Recruiting means forming a pool of qualified applicants from which management can select employees. There are two sources from which to develop this pool of applicants—internal and external.

Internal sources of applicants include the organization's current employees. Many firms have a policy of giving first consideration to their own employees—or promoting from within. The cost of hiring current employees to fill job openings is inexpensive when compared with the cost of hiring from external sources, and it is good for employee morale. However, hiring from within creates another job vacancy to be filled.

External sources consist of advertisements in newspapers and professional journals, employment agencies, colleges, vocational schools, recommendations from current employees, competing firms, unsolicited applications, and online. There are hundreds of Web sites where employers can post job openings and job seekers can post their résumés, including Monster.com, Hotjobs.com, CareerBuilder.com., and Theladders.com. Employers looking for employees for specialized jobs can use more focused sites such as computerwork.com. Increasingly, companies can turn to their own Web

sites for potential candidates: Nearly all of the *Fortune* 500 firms provide career Web sites where they recruit, provide employment information, and take applications. Using these sources of applicants is generally more expensive than hiring from within, but it may be necessary if there are no current employees who meet the job specifications or there are better-qualified people outside of the organization. Recruiting for entry-level managerial and professional positions is often carried out on college and university campuses. For managerial or professional positions above the entry level, companies sometimes depend on employment agencies or executive search firms, sometimes called *headhunters*, which specialize in luring qualified people away from other companies.

Selection

Selection is the process of collecting information about applicants and using that information to decide which ones to hire. It includes the application itself, as well as interviewing, testing, and reference checking. This process can be quite lengthy and expensive. Procter & Gamble, for example, offers a recruiting process that gives a realistic picture of skills, as well as strengths and interests. The process often starts with completing an online application tied to a matching process with open jobs. If your application does match an open position, then you are invited to complete an online questionnaire and a problem-solving test. If the results are positive, you then have an interview. P&G provides practice tests online for applicants.² Such rigorous scrutiny is necessary to find those applicants who can do the work expected and fit



Entrepreneurship In Action

Terry Gou Finds the Right Employees in China

Terry Gou

Business: Hon Hai Precision Industry Co.

Founded: 1974

Success: Terry Gou was No. 160 on *Forbes* magazine's 2008 "The World's Billionaires" list, with a net worth of \$6.1 billion.

Terry Gou is a self-made billionaire thanks to his company Hon Hai Precision Industry Co. The company was founded by Gou in Taiwan in 1974. In the early days, Gou's company manufactured plastic parts for black-and-white televisions. During the first part of the next decade, Gou ventured into the PC industry. In 1988, Gou moved his factory to China and began to expand. Today, creating many of a PC's inside components is only a

small part of what Gou's company does. Hon Hai also produces Apple's iPod and iPhone products, HP computers, Motorola phones, and Wii consoles. Gou's factory in Shenzhen, China, boasts about 270,000 employees. Hon Hai is now the largest exporter in China, and Gou is credited with keeping electronic production in China despite it being the age of outsourcing. Gou has watched Hon Hai's revenue increase 50 percent annually for the last decade, reaching \$55 billion in 2007. Both Gou and his company have solid reputations. Gou is a leader inspiring immense loyalty. Analysts and industry insiders confirm that Hon Hai has a reputation for good quality control and competitive pricing. Although Gou shuns publicity, he cannot deny that Hon Hai is worth noticing and talking about.³

into the firm's structure and culture. If an organization finds the "right" employees through its recruiting and selection process, it will not have to spend as much money later in recruiting, selecting, and training replacement employees.

The Application. In the first stage of the selection process, the individual fills out an application form and perhaps has a brief interview. The application form asks for the applicant's name, address, telephone number, education, and previous work experience. The goal of this stage of the selection process is to get acquainted with the applicants and to weed out those who are obviously not qualified for the job. Most companies ask for the following information before contacting a potential candidate: current salary, reason for seeking a new job, years of experience, availability, and level of interest in the position. In addition to identifying obvious qualifications, the application can provide subtle clues about whether a person is appropriate for a particular job. For instance, an applicant who gives unusually creative answers may be perfect for a position at an advertising agency; a person who turns in a sloppy, hurriedly scrawled application probably would not be appropriate for a technical job requiring precise adjustments. Many companies now accept online applications. The online application at Procter & Gamble is designed not only to collect biographical data but to create a picture of the applicant and how the person might contribute within the company. The Web site states that there are no right or wrong answers and indicates that completion takes about 30 to 45 minutes. Applicants also must submit an electronic copy of their résumé.⁴

The Interview. The next phase of the selection process involves interviewing applicants. Interviews allow management to obtain detailed information about the applicant's experience and skills, reasons for changing jobs, attitudes toward the job, and an idea of whether the person would fit in with the company. Furthermore, the interviewer can answer the applicant's questions about the requirements for the job, compensation, working conditions, company policies, organizational culture, and so on. A potential employee's questions may be just as revealing as his or her answers. Table 11.1 provides some insights on finding the right work environment. Table 11.2 lists some of the most common questions asked by interviewers while Table 11.3 reveals mistakes candidates make in interviewing.

TABLE II.1

Interviewing Tips

1. Evaluate the work environment. Do employees seem to get along and work well in teams?
2. Evaluate the attitude of employees. Are employees happy, tense, or overworked?
3. Are employees enthusiastic and excited about their work?
4. What is the organizational culture, and would you feel comfortable working there?

Source: Adapted from "What to Look for During Office Visits," <http://careercenter.tamu.edu/guides/interviews/lookforinoffice.html> (accessed May 16, 2008).

Testing. Another step in the selection process is testing. Ability and performance tests are used to determine whether an applicant has the skills necessary for the job. Aptitude, IQ, or personality tests may be used to assess an applicant's potential for a certain kind of work and his or her ability to fit into the organization's culture. One of the most commonly used tests is the Myers-Briggs Type Indicator. Myers-Briggs Type Indicator Test is used worldwide by more than 2 million people each year.⁵ Figure 11.1 shows a few alternative tests, what they attempt to measure and an estimate of the expense per employee. Although polygraph ("lie detector") tests were once a common technique for evaluating the honesty of applicants, in 1988 their use was restricted to specific government jobs and those involving security or access to drugs. Applicants may also undergo physical examinations to determine their suitability for some jobs, and many companies require applicants to be screened for illegal drug use. There are more than 11 million heavy drinkers and 16 million illegal drug users in the United States. Of this group, 75 percent are employed full time and around half work for small businesses. On average in small businesses, 1 out of 10 employees are either alcohol or drug abusers. Small businesses may have a higher percentage of these employees because they do not engage in systematic drug testing. If you employ a drug or alcohol abuser, you can expect a 33 percent loss in productivity from this employee, which costs employers roughly \$7,000 annually. Overall, substance abuse costs American employers \$160 billion each year through high employee turnover and absenteeism, workplace accidents, higher workers' compensation costs, higher medical costs, and workplace theft and violence.⁶ Like the application form and the interview, testing serves to eliminate those who do not meet the job specifications.

TABLE II.2

Top 10 Interview Questions

1. What are your weaknesses?
2. Why should we hire you?
3. Why do you want to work here?
4. What are your goals?
5. Why did you leave (or why are you leaving) your job?
6. When were you most satisfied with your job?
7. What can you do for us that the other candidate can't?
8. What are three positive things your last boss would say about you?
9. What salary are you seeking?
10. If you were an animal, which one would you want to be?

Source: Carole Martin, "Prep for the Top 10 Interview Questions," <http://career-advice.monster.com/job-interview-practice/Prep-for-the-Top-10-Interview-Quest/home.aspx> (accessed May 16, 2008).

1. Not taking the interview seriously.
2. Not dressing appropriately (dressing down).
3. Not appropriately discussing experience, abilities, and education.
4. Being too modest about your accomplishments.
5. Talking too much.
6. Too much concern about compensation.
7. Speaking negatively of a former employer.
8. Not asking enough or appropriate questions.
9. Not showing the proper enthusiasm level.
10. Not engaging in appropriate follow-up to the interview.

TABLE II.3

Mistakes Made in Interviewing

Source: "Avoid the Top 10 Job Interview Mistakes," All Business, <http://www.allbusiness.com/human-resources/careers-job-interview/1611-2.html> (accessed June 4, 2008).

Reference Checking. Before making a job offer, the company should always check an applicant's references. Reference checking usually involves verifying educational background and previous work experience. Background checking is important because applicants may misrepresent themselves on their applications or résumés. The star of *Dinner Impossible* on the Food Network fabricated portions of his résumé, including the claim that he cooked for Britain's Royal Family. The Food Network, upon learning of these errors, did not renew Robert Irvine's contract, indicating that viewers place trust in the network and the accuracy of information that it provides and that Irvine "challenged that trust."⁷ Reference checking is a vital, albeit often overlooked, stage in the selection process. Managers charged with hiring should be aware, however, that many organizations will confirm only that an

Test/Provider	Purpose	Cost/Person
HCG Cultural Assessment Tool Hagberg Consulting Group Foster City, CA	Determines workplace morale and dysfunction	\$15.00–20.00
The Hogan Personality Inventory Hogan Assessment Systems Tulsa, OK	Measures potential employee fit with the company and job	\$20.00–125.00
The Call Center Solution ePredix Minneapolis, MN	Predicts success in call center jobs and potential for success in upselling	\$25.00 and up (selection phase)
Sigmaradius 360 Degree Feedback Sigma Assessment Systems Port Huron, MI	Measures managerial effectiveness by evaluating superior's and subordinate's assessment	\$139.00–199.00

FIGURE II.1

Sampling of Psychological Tests

Source: Paul Kaihla "Getting Inside the Boss's Head," *Business 2.0*, November 2003, Copyright © 2003 Time Inc. All rights reserved.

applicant is a former employee, perhaps with beginning and ending work dates, and will not release details about the quality of the employee's work.

Legal Issues in Recruiting and Selecting

Legal constraints and regulations are present in almost every phase of the recruitment and selection process, and a violation of these regulations can result in lawsuits and fines. Therefore, managers should be aware of these restrictions to avoid legal problems. Some of the laws affecting human resources management are discussed below.

Because one law pervades all areas of human resources management, we'll take a quick look at it now. **Title VII of the Civil Rights Act** of 1964 prohibits discrimination in employment. It also created the Equal Employment Opportunity Commission (EEOC), a federal agency dedicated to increasing job opportunities for women and minorities and eliminating job discrimination based on race, religion, color, sex, national origin, or handicap. As a result of Title VII, employers must not impose sex distinctions in job specifications, job descriptions, or newspaper advertisements. Between 75,000 and 90,000 charges of discrimination are filed each year with the EEOC.⁸ Sexual harassment cases make up the largest number of claims the EEOC sees each day. The Civil Rights Act of 1964 also outlaws the use of discriminatory tests for applicants. Aptitude tests and other indirect tests must be validated; in other words, employers must be able to demonstrate that scores on such tests are related to job performance, so that no one race has an advantage in taking the tests. Although many hope for improvements in organizational diversity, in a survey of 357 global senior executives, 76 percent have one or no minorities among their top executives. Minorities make up 17 percent of the U.S. workforce, and that number should hit 20 percent by 2016. In spite of a lack of diversity, many of these companies indicate an initiative to support workplace diversity.⁹

Other laws affecting HRM include the Americans with Disabilities Act (ADA), which prevents discrimination against disabled persons. It also classifies people with AIDS as handicapped and, consequently, prohibits using a positive AIDS test as reason to deny an applicant employment. The Age Discrimination in Employment Act specifically outlaws discrimination based on age. Its focus is banning hiring practices that discriminate against people between the ages of 49 and 69, but it also outlaws policies that require employees to retire before the age of 70. Generally, when companies need employees, recruiters head to college campuses, and when downsizing is necessary, many older workers are offered early retirement. However, there are many benefits that companies are realizing in hiring older workers. Some of these benefits include that they are more dedicated, punctual, honest, and detail-oriented; are good listeners; take pride in their work; exhibit good organizational skills; are efficient and confident; are mature; can be seen as role models; have good communication

Title VII of the Civil Rights Act prohibits discrimination in employment and created the Equal Employment Opportunity Commission

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skills; and offer an opportunity for a reduced labor cost because of already having insurance plans.¹⁰ The Equal Pay Act mandates that men and women who do equal work must receive the same wage. Wage differences are acceptable only if they are attributed to seniority, performance, or qualifications. Despite these laws, one year out of college, women earn 80 percent of what men earn. A decade later, women earn only 69 percent as much as men. There is significant variation based on the job: for example, in education generally, women earn 95 percent as much as males; however, in the area of math, women earn 76 percent as much as men.¹¹ Figure 11.2 illustrates how women feel about this “glass ceiling” effect.

Developing the Workforce

Once the most qualified applicants have been selected, have been offered positions, and have accepted their offers, they must be formally introduced to the organization and trained so they can begin to be productive members of the workforce. **Orientation** familiarizes the newly hired employees with fellow workers, company procedures, and the physical properties of the company. It generally includes a tour of the building; introductions to supervisors, co-workers, and subordinates; and the distribution of organizational manuals describing the organization’s policy on vacations, absenteeism, lunch breaks, company benefits, and so on. Orientation also involves socializing the new employee into the ethics and culture of the new company. Many larger companies now show videotapes of procedures, facilities, and key personnel in the organization to help speed the adjustment process.

orientation
familiarizing newly hired employees with fellow workers, company procedures, and the physical properties of the company

Training and Development

Although recruiting and selection are designed to find employees who have the knowledge, skills, and abilities the company needs, new employees still must undergo **training** to learn how to do their specific job tasks. *On-the-job training* allows workers to learn by actually performing the tasks of the job, while *classroom training* teaches employees with lectures, conferences, videotapes, case studies,

training
teaching employees to do specific job tasks through either classroom development or on-the-job experience

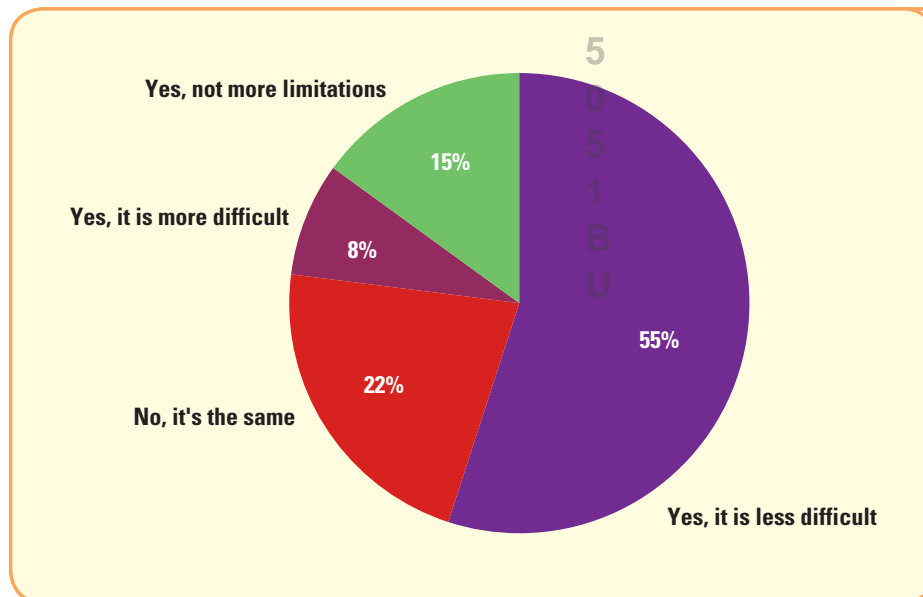


FIGURE II.2

Glass Ceiling

Has the “glass ceiling”^{*} for women in the workplace shifted in the past 10 years?

* Defined as limitations that prevent qualified women from being promoted to leadership positions.

Source: “Glass Ceiling,” USA Today Snapshots. Adecco USA Workplace survey, April 22, 2008.

development
training that augments
the skills and
knowledge of managers
and professionals



After creating Chinese versions of the virtual-reality world “Second Life,” the Chinese software firms HiPiHi, Novo King, and UOneNet found themselves approached by businesses to work on ideas they hadn’t thought of. For example, disappointed by traditional training results, Xiong Ying—a human resources manager at China’s largest copper company, Jiangxi Copper—got the idea to train factory workers virtually. Xiong subsequently contracted with NovoKing to set up a training module in the software company’s version of “Second Life.”

and Web-based training. The Cheesecake Factory spends an average \$2,000 per employee on training each year. Servers benefit from 2 weeks of on-the-job training, and management candidates receive 12-week development courses. The company defends the investment in training by providing extremely high customer satisfaction rates and loyalty. In addition, turnover at the Cheesecake Factory is around 15 percent below the industry average.¹²

Development is training that augments the skills and knowledge of managers and professionals. Training and development are also used to improve the skills of employees in their present positions and to prepare them for increased responsibility and job promotions. Training is therefore a vital function of human resources management. Training and development plans are tailored to meet each employee’s needs at Procter & Gamble. In addition to on-the-job training, the company offers one-on-one coaching from managers, peer mentoring, individualized work plans that outline key projects and highlight skills to sharpen, and formal classroom training conducted at the company’s “Learn-ing Center” in Cincinnati.¹³

Assessing Performance

Assessing an employee’s performance—his or her strengths and weaknesses on the job—is one of the most difficult tasks for managers. However, performance appraisal is crucial because it gives employees feedback on how they are doing and what they need to do to improve. It also provides a basis for

determining how to compensate and reward employees, and it generates information about the quality of the firm’s selection, training, and development activities. Table 11.4 identifies 16 characteristics that may be assessed in a performance review.

Performance appraisals may be objective or subjective. An objective assessment is quantifiable. For example, a Westinghouse employee might be judged by how many circuit boards he typically produces in one day or by how many of his boards have defects. A Century 21 real estate agent might be judged by the number of houses she has shown or the number of sales she has closed. A company can also use tests as an objective method of assessment. Whatever method they use, managers must take into account the work environment when they appraise performance objectively.

When jobs do not lend themselves to objective appraisal, the manager must relate the employee’s performance to some other standard. One popular tool used in subjective assessment is the ranking system, which lists various performance factors on which the manager ranks employees against each other. Although used by many large companies, ranking systems are unpopular with many employees. Qualitative criteria, such as teamwork and communication skills, used to evaluate employees are generally hard to gauge. Such grading systems have triggered employee lawsuits that allege discrimination in grade/ranking assignments. Best Buy settled an age discrimination lawsuit with 44 former information technology (IT) employees aged 40 to 71 (average age 51), which required the company to reinstate the employees or pay them salaries and benefits until they reached retirement age. When Best Buy outsourced much of its IT function, they allegedly told the 820 employees that only

TABLE II.4 Performance Characteristics

- **Productivity**—rate at which work is regularly produced
- **Quality**—accuracy, professionalism, and deliverability of produced work
- **Job knowledge**—understanding of the objectives, practices, and standards of work
- **Problem solving**—ability to identify and correct problems effectively
- **Communication**—effectiveness in written and verbal exchanges
- **Initiative**—willingness to identify and address opportunities for improvement
- **Adaptability**—ability to become comfortable with change
- **Planning and organization skills**—reflected through the ability to schedule projects, set goals, and maintain organizational systems
- **Teamwork and cooperation**—effectiveness of collaborations with co-workers
- **Judgment**—ability to determine appropriate actions in a timely manner
- **Dependability**—responsiveness, reliability, and conscientiousness demonstrated on the job
- **Creativity**—extent to which resourceful ideas, solutions, and methods for task completion are proposed
- **Sales**—demonstrated through success in selling products, services, yourself, and your company
- **Customer service**—ability to communicate effectively with customers, address problems, and offer solutions that meet or exceed their expectations
- **Leadership**—tendency and ability to serve as a doer, guide, decision maker, and role model
- **Financial management**—appropriateness of cost controls and financial planning within the scope defined by the position

Source: "Performance Characteristics," Performance Review from http://www.salary.com/Careerresources/docs/related_performance_review_part2_popup.html (accessed June 12, 2001). Used with permission.

40 would remain with the retailer and 650 would work for the outsource company, Accenture. Best Buy officials denied the allegation of these former employees.¹⁴

Another performance appraisal method used by many companies is the 360-degree feedback system, which provides feedback from a panel that typically includes superiors, peers, and subordinates. Because of the tensions it may cause, peer appraisal appears to be difficult for many. However, companies that have success with 360-degree feedback tend to be open to learning and willing to experiment and are led by executives who are direct about the expected benefits as well as the challenges.¹⁵ Managers and leaders with a high emotional intelligence (sensitivity to their own as well as others' emotions) assess and reflect upon their interactions with colleagues on a daily basis. In addition, they conduct follow-up analysis on their projects, asking the right questions and listening carefully to responses without getting defensive of their actions.¹⁶

Whether the assessment is objective or subjective, it is vital that the manager discuss the results with the employee, so that the employee knows how well he or she is doing the job. The results of a performance appraisal become useful only when they are communicated, tactfully, to the employee and presented as a tool to allow the employee to grow and improve in his or her position and beyond. Performance appraisals are also used to determine whether an employee should be promoted, transferred, or terminated from the organization.

Turnover

Turnover, which occurs when employees quit or are fired and must be replaced by new employees, results in lost productivity from the vacancy, fees to recruit replacement

turnover occurs when employees quit or are fired and must be replaced by new employees



Destination CEO

Anne Mulcahy, Xerox

Anne Mulcahy is one of America's most powerful women. She is one of a handful of women occupying the CEO office of a major corporation. In this case, Xerox. Mulcahy joined the company 30 years ago following in her brother's footsteps. Starting in sales, Mulcahy rose through the ranks and served in various capacities in human resources and the printer division, served as president, and then was promoted to CEO. Her promotion came during a highly volatile period in Xerox's history. In 2000, Xerox was flirting with bankruptcy, sales were dismal, costs were out of control, and the company was not competitive. These weren't Xerox's only troubles, however. The SEC was investigating Xerox for its questionable accounting practices leading to a fine of \$10 million.

Against this troubling backdrop, enter Anne Mulcahy, who many say, has Xerox running through her veins. Xerox is one of the few companies that is still considered family-friendly. It is not at all uncommon for several members of a family to be employed with the firm. Mulcahy's task was to slash costs and to revive the company's competitiveness. In her first year as CEO, she cut a billion dollars in costs, reduced the labor force substantially, and discontinued product lines that were no longer competitive. Under her leadership, Xerox moved quickly away from consumer-imaging products to the more

lucrative, high-end commercial color printing and processing technologies, where profit margins are five times that of black-and-white imaging technologies.

Despite the major reductions in labor and the restructuring of the firm's divisions, Mulcahy remains highly regarded by employees at Xerox. Her eternal optimism and her unswerving commitment to Xerox seem to have had a motivating impact on the company's employees. Mulcahy has ensured that the corporate culture remains intact in spite of the company's transformation. While the company's position has improved dramatically under Mulcahy's leadership, competition remains fierce—and pressure to cut costs even further present formidable challenges.

Discussion Questions

1. Xerox CEO Mulcahy is responsible for managing a great deal of turnover as the company seeks to remain competitive. Discuss the HR issues involved
2. Generally speaking, what role does human resources management play at Xerox?
3. Anne Mulcahy clearly demonstrates that Xerox values diversity in the workplace. What other factors would be important in addressing diversity?

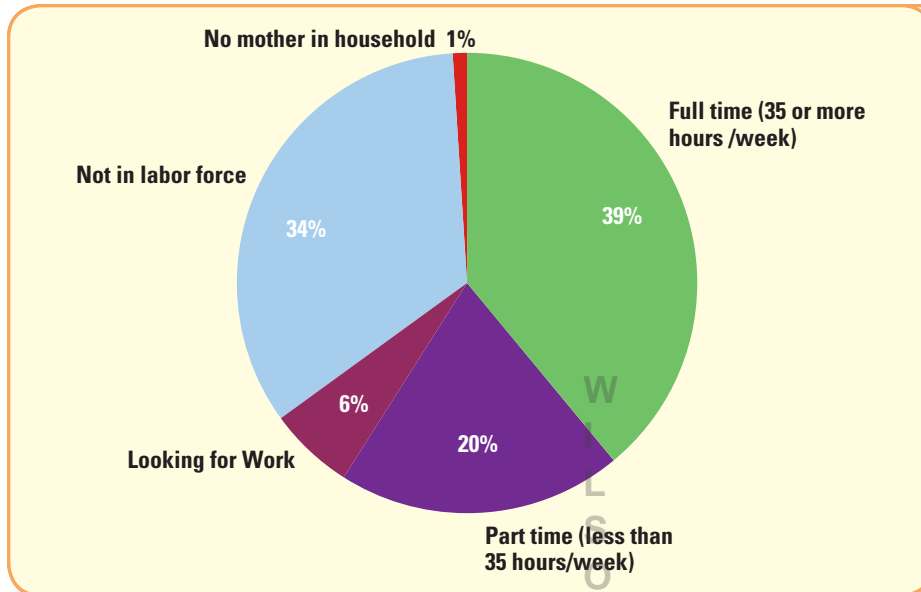
employees, management time devoted to interviewing, and training costs for new employees. Clarkston Consulting in Durham, North Carolina, was going through a phase where employees were dissatisfied, working more than the industry norm of 56 hours per week (not including travel), and turnover was increasing. The company engaged in intense training to improve skills and understand competitive and best practices, and it introduced a truncated travel schedule. The travel program allowed employees to leave home on Monday, stay in a hotel and work at the client's site for four days, and return to work at home on Friday. Removing large amounts of travel from evenings and weekends significantly improved morale, productivity, and satisfaction.¹⁷ Part of the reason for turnover may be overworked employees as a result of downsizing and a lack of training and advancement opportunities.¹⁸ Of course, turnover is not always an unhappy occasion when it takes the form of a promotion or transfer.

A **promotion** is an advancement to a higher-level job with increased authority, responsibility, and pay. In some companies and most labor unions, seniority—the length of time a person has been with the company or at a particular job classification—is the key issue in determining who should be promoted. Most managers base promotions on seniority only when they have candidates with equal qualifications: Managers prefer to base promotions on merit.

A **transfer** is a move to another job within the company at essentially the same level and wage. Transfers allow workers to obtain new skills or to find a new position within an organization when their old position has been eliminated because of automation or downsizing.

promotion
an advancement to a higher-level job with increased authority, responsibility, and pay

transfer
a move to another job within the company at essentially the same level and wage

**FIGURE II.3**

Moms of Four-Year-Olds at Work

Most Four-Year-Olds Have Mothers who work outside the home.

Sources: "Moms of 4-year-olds at work," *USA Today Snapshots*, April 3, 2008, p. B1; U.S. Department of Education, National Center for Education Statistics.

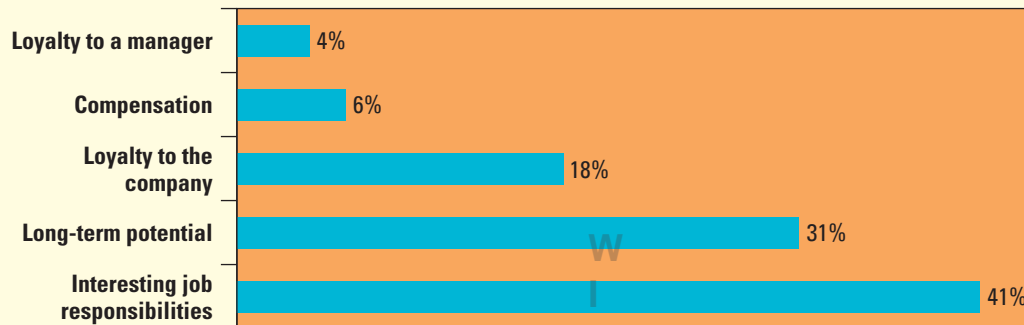
Separations occur when employees resign, retire, are terminated, or are laid off. Table 11.5 lists rules for peaceful separations from companies. Employees may be terminated, or fired, for poor performance, violation of work rules, absenteeism, and so on. Businesses have traditionally been able to fire employees *at will*, that is, for any reason other than for race, religion, sex, or age, or because an employee is a union organizer. However, recent legislation and court decisions now require that companies fire employees fairly, for just cause only. Managers must take care, then, to warn employees when their performance is unacceptable and may lead to dismissal. They should also document all problems and warnings in employees' work records. To avoid the possibility of lawsuits from individuals who may feel they have been fired unfairly, employers should provide clear, business-related reasons for any firing, supported by written documentation if possible. Employee

separations
employment changes involving resignation, retirement, termination, or layoff

TABLE II.5 Rules for Peaceful Separations

- Leave as soon as practicable after making the decision.
- Prior to leaving, discuss your decision only with those who need to know.
- If asked, be candid about your new job; avoid the appearance of hiding something.
- Prior to leaving, do not disrupt your current employer's business.
- Be careful about any paper or electronic trails concerning the process that resulted in your resignation.
- Sign an employment agreement with a new employer only after you have resigned from your current position.
- Do not work for the new employer until after the last day of work at your current job.
- Have the recruiting employer indemnify you regarding judgments, settlements, and attorneys' fees incurred in connection with any litigation initiated by your former employer.
- Specify in a written agreement with your new employer that you will not use or disclose any trade secrets of former employers.

Source: Robert Lenzner and Carrie Shook, "Want to Go Peacefully? Some Rules," *Forbes*, February 23, 1998. Reprinted by permission of *Forbes Magazine*. Copyright 2004 Forbes Inc.

FIGURE II.4 Reasons Employees Stay in Their Current Jobs*What is the primary reason you would stay in your job?*

Source: "What Is the Primary Reason You Would Stay in Your Job?" *USA Today Snapshots*, October 5, 2005, p B1.

disciplinary procedures should be carefully explained to all employees and should be set forth in employee handbooks.

Many companies have downsized in recent years, laying off tens of thousands of employees in their effort to become more productive and competitive. General Motors, in light of declining demand for large, fuel-inefficient vehicles, launched plans to close four truck and SUV plants in the United States, Canada and Mexico, which will affect 8,350 workers. Since 2005, Ford, Chrysler, and GM have shut down 35 plants and eliminated 149,000 hourly and salaried jobs.¹⁹ Layoffs are sometimes temporary; employees may be brought back when business conditions improve. When layoffs are to be permanent, employers often help employees find other jobs and may extend benefits while the employees search for new employment. Such actions help lessen the trauma of the layoffs.

A well-organized human resources department strives to minimize losses due to separations and transfers because recruiting and training new employees is very expensive. Note that a high turnover rate in a company may signal problems either with the selection and training process, the compensation program, or even the type of company. To help reduce turnover, companies have tried a number of strategies. Figure 11.4 shows some of the retention methods used by some businesses to retain frontline employees.

Compensating the Workforce

People don't work for free, and how much they are paid for their work is a complicated issue. Also, designing a fair compensation plan is an important task because pay and benefits represent a substantial portion of an organization's expenses. Wages that are too high may result in the company's products being priced too high, making them uncompetitive in the market. Wages that are too low may damage employee morale and result in costly turnover. Remember that compensation is one of the hygiene factors identified by Herzberg.

Designing a fair compensation plan is a difficult task because it involves evaluating the relative worth of all jobs within the business while allowing for individual efforts.



Going Green Green Coffee?

These days, unless you're traveling to remote locations, it's virtually impossible not to see a Starbucks—they seem to be everywhere. This makes sense when you consider that there are 7,087 company-operated stores and 4,081 licensed stores in the United States and 1,796 company-operated stores and 2,792 joint venture and licensed stores on the international scene. Of course, thousands of stores means thousands of employees. So how do these employees, known as “partners,” fare at Starbucks? Pretty well, all things considered. In fact, the company was ranked number seven on *Fortune* magazine's list of 100 Best Companies to Work For in 2008.

Starbucks vows, as part of its Guiding Principles, to treat all of its partners with respect and dignity. To this end, all eligible full-time and part-time Starbucks partners are offered comprehensive health care. Starbucks frequently updates its pay packages, striving to maintain a competitive position at all times. In addition, all eligible global partners are offered *Bean Stock* options.

In 2002, Starbucks launched the Make Your Mark volunteer program. Through this program, partners are able to contribute to their communities with the help of the company. Starbucks donates \$10 for every hour of volunteer work completed, with a limit of \$1,000 per project. The company also matches the hours of any volunteer community members enlisted by Starbucks partners. Starbucks partners in the United States and Canada volunteer about 383,000 hours a year.

Like most companies, Starbucks is taking part in the green trend. For example, the company purchases Fair Trade–certified coffee, although it makes up less than 4 percent of the coffee the

company purchases. In the past few years, Starbucks has also been looking to lessen its carbon emissions footprint. Although the company is currently unwilling to disclose its actual footprint, it is working toward being more carbon neutral—for example, by teaming up with the World Research Institute's Green Power Market Development Group, which assists companies in purchasing renewable energy at better prices. The company has also been increasing its use of wind power to offset the production of carbon dioxide.

Starbucks is encouraging its partners and customers to go green. It has run a few prominent campaigns, such as planetgreengame.com, and is working to track how much energy is used by specific equipment throughout its stores. Partners may take advantage of the Make Your Mark program to champion environmental causes. Although there are those that argue that such a large company is not doing enough toward going green, others feel that any step in the right direction is a positive one. We can certainly hope, thanks to the security and support that Starbucks offers its partners, that partners feel motivated to go out and do their part to help both their communities and the environment.²⁰

Discussion Questions

1. How does Starbucks compensate its employees in ways that encourage lower turnover and a more productive workforce?
2. How do Starbucks' green initiatives affect employees?
3. What might encouraging volunteerism do for employee morale and company loyalty?

Compensation for a specific job is typically determined through a **wage/salary survey**, which tells the company how much compensation comparable firms are paying for specific jobs that the firms have in common. Compensation for individuals within a specific job category depends on both the compensation for that job and the individual's productivity. Therefore, two employees with identical jobs may not receive exactly the same pay because of individual differences in performance.

Financial Compensation

Financial compensation falls into two general categories—wages and salaries. **Wages** are financial rewards based on the number of hours the employee works or the level of output achieved. Wages based on the number of hours worked are called time wages. The federal minimum wage increased to \$6.55 per hour in 2008. Many states also mandate minimum wages; in the case where the two wages are in conflict, the higher of the two wages prevails. There may even be differences between city and state minimum wages. In New Mexico, the minimum wage is \$7.50, whereas in the state capital of Santa Fe, the minimum wage is \$10.50, due to a higher cost of living.²¹ Table 11.6 compares wage and other information for Costco and Wal-Mart, two well-known discount chains. Time wages are appropriate when employees are continually interrupted

wage/salary survey
a study that tells a company how much compensation comparable firms are paying for specific jobs that the firms have in common

wages
financial rewards based on the number of hours the employee works or the level of output achieved

TABLE II.6 Managing the workforce: Costco Versus Wal-Mart

	Costco	Wal-Mart
Number of employees	100,000—U.S. 137,000—international	1,420,000—U.S. 635,000—international
Sales	\$64.4 billion	\$378.79 billion
Average hourly wage	\$17.25	\$10.11
Percent of employees covered by health plans	82%	80%
Turnover (per year)	17%	40%
Profits per employee	\$13,647	\$11,039

Sources: Costco Company Profile, <http://phx.corporate-ir.net/phoenix.zhtml?c=83830&p=irol-homeprofile> (accessed May 16, 2008); Consumer Reports Warehouse Clubs, http://www.consumerreports.org/cro/money/shopping/where-to-buy/warehouse-clubs-5-07/overview/0507_ware_ov.htm (accessed May 16, 2008); Esther Cervantes, "The Costco Alternative?" <http://www.dollarsandsense.org/archives/2006/0106cervantes.html> (accessed May 16, 2008).

and when quality is more important than quantity. Assembly-line workers, clerks, and maintenance personnel are commonly paid on a time-wage basis. The advantage of time wages is the ease of computation. The disadvantage is that time wages provide no incentive to increase productivity. In fact, time wages may encourage employees to be less productive.

To overcome these disadvantages, many companies pay on an incentive system, using piece wages or commissions. Piece wages are based on the level of output achieved. A major advantage of piece wages is that they motivate employees to supervise their own activities and to increase output. Skilled craftworkers are often paid on a piece-wage basis. At Longaberger, the world's largest maker of handmade baskets, weavers are paid per piece. The 2,500 workers produced 40,000 baskets a day, but productivity varied by as much as 400 percent among the weavers. A team of basket makers was assembled to try to improve productivity and reduce weaver downtime and the amount of leftover materials. After studying the basket makers for 19 days, the team's suggestions were implemented. The changes resulted in \$3 million in annual savings for the company.²²

commission
an incentive system
that pays a fixed
amount or a percentage
of the employee's sales

The other incentive system, **commission**, pays a fixed amount or a percentage of the employee's sales. Kele & Co Jewelers in Plainfield, Illinois, make sterling silver jewelry and offer semi-precious and gemstones at affordable prices. Their handcrafted jewelry is sold through the Internet (www.keleonline.com) and through independent sales representatives (ISRs) all over the country. The unique aspect of Kele's sales process is their innovative sales and commission structure. ISRs have no minimum sales quotas, sales are shared among team members during training and after being promoted, and there is no requirement to purchase inventory as jewelry is shipped from Kele headquarters. ISRs receive a 30 percent commission on sales. Kele also pays for the design, development, and maintenance of a Web site to support ISRs. The goal is to increase the profit margin and earning potential of the salespeople. The company's goal is to become the largest direct sales company in the industry.²³ This method motivates employees to sell as much as they can. Some companies also combine payment based on commission with time wages or salaries.

salary
a financial reward
calculated on a weekly,
monthly, or annual basis

A **salary** is a financial reward calculated on a weekly, monthly, or annual basis. Salaries are associated with white-collar workers such as office personnel, executives, and professional employees. Although a salary provides a stable stream of income, salaried workers may be required to work beyond usual hours without additional financial compensation.

In addition to the basic wages or salaries paid to employees, a company may offer **bonuses** for exceptional performance as an incentive to increase productivity further. Many workers receive a bonus as a “thank you” for good work and an incentive to continue working hard. Many owners and managers are recognizing that simple bonuses and perks foster happier employees and reduce turnover. For example, the owner of Ticketcity.com, a small business in Austin, Texas, offers employees tickets to major events like the Super Bowl, Master’s golf tournament, and even management retreats. The owner of a DreamMaker remodeling franchise in Peoria, Illinois, provides employees money to use toward new vehicles, takes them on staff outings to sporting games, and funds their retirement plans.²⁴

Another form of compensation is **profit sharing**, which distributes a percentage of company profits to the employees whose work helped to generate those profits. Some profit-sharing plans involve distributing shares of company stock to employees. Usually referred to as *ESOPs*—employee stock ownership plans—they have been gaining popularity in recent years. One reason for the popularity of ESOPs is the sense of partnership that they create between the organization and employees. Profit sharing can also motivate employees to work hard, because increased productivity and sales mean that the profits or the stock dividends will increase. Many organizations offer employees a stake in the company through stock purchase plans, ESOPs, or stock investments through 401(k) plans. Employees below senior management levels rarely received stock options, until recently. Companies are adopting broad-based stock option plans to build a stronger link between employees’ interests and the organization’s interests. A study by professors at the Wharton School of the University of Pennsylvania found that companies that paid middle managers 20 percent more in options than comparable companies saw increased performance and stock prices that rose an average 5 percent faster a year. Similar results were seen in companies that paid technical specialists at least 20 percent more in options.²⁵

Benefits

Benefits are nonfinancial forms of compensation provided to employees, such as pension plans for retirement; health, disability, and life insurance; holidays and paid days off for vacation or illness; credit union membership; health programs; child care; elder care; assistance with adoption; and more. According to the Bureau of Labor Statistics, employer costs for employee compensation for civilian workers in the United States average \$28.11 per hour worked. Wages and salaries account for approximately 69.8 percent of those costs, while benefits account for 30.2 percent of the cost. Legally required benefits (Social Security, Medicare, federal and state employment insurance, and workers’ compensation) account for 7.9 percent of total compensation.²⁶

bonuses

monetary rewards offered by companies for exceptional performance as incentives to further increase productivity

profit sharing

a form of compensation whereby a percentage of company profits is distributed to the employees whose work helped to generate them



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benefits

nonfinancial forms of compensation provided to employees, such as pension plans, health insurance, paid vacation and holidays, and the like

TABLE II.7

Best Entry-Level Salaries

Major	Salary
Computer science	\$56,921
Electrical engineering	56,429
Engineering	56,336
Economics	52,926
Nursing	52,129
Chemistry	52,125
Civil engineering	49,427
Finance	48,795
Accounting	47,413
Business administration and management	43,823
Political science/government	43,594
Marketing	43,459
Human resources	40,250
History	35,956
Communications	35,196
English language and literature	34,757
Journalism	32,250
Psychology	30,877
Public relations/organizational communications	30,667

Source: Rachel Zupak, "Best Entry-Level Salaries for New Grads," *CNN.com*, April 28, 2008, <http://www.cnn.com/2008/LIVING/worklife/04/28/cb.salaries.grads/> (accessed May 16, 2008).

Such benefits increase employee security and, to a certain extent, their morale and motivation.

Table 11.8 lists some of the benefits Internet search engine Google offers its employees. Although health insurance is a common benefit for full-time employees, rising health care costs have forced a growing number of employers to trim this benefit. Microsoft, for example, recently reduced its prescription drug benefit, which had cost the company 16 percent of its overall benefit budget, and now requires employees to pay \$40 for brand-name prescription drugs for which a generic version is available. The company still provides many generous benefits, including free gym memberships and free drinks on the job.²⁷

A benefit increasingly offered is the employee assistance program (EAP). Each company's EAP is different, but most offer counseling for and assistance with those employees' personal problems that might hurt their job performance if not addressed. The most common counseling services offered include drug- and alcohol-abuse treatment programs, fitness programs, smoking cessation clinics, stress-management clinics, financial counseling, family counseling, and career counseling. EAPs help reduce costs associated with poor productivity, absenteeism, and other workplace issues by helping employees deal with personal problems that contribute to these issues. For example, exercise and fitness programs reduce health insurance costs by helping employees stay healthy. Family counseling may help workers trying to cope with a divorce or other personal problems better focus on their jobs.

TABLE II.8

Google's Employees' Benefits

- Health insurance:
 - Employee medical insurance (spouse and domestic-partner insurance also available)
 - Dental insurance
 - Vision insurance
- Vacation (15 days per year for one–three years' employment; 20 days off for four–five years' employment; 25 days for more than six years' employment)
- Twelve paid holidays/year
- Savings plans
 - 401(k) retirement plan, matched by Google up to \$2,500/year
 - Flexible spending accounts
- Disability and life insurance
- Employee Assistance Program
- Free lunches, breakfast foods, and snacks
- Massages, gym membership, hair stylist, fitness class, and bike repair
- Weekly activities
- Maternity and parental leave
- Adoption assistance
- Tuition reimbursement
- Employee referral plan
- On-site doctor
- Google child care center and backup child care
- Ski trip, company movie day, summer picnic, health fair, credit union, sauna, roller hockey, discounts for local attractions

Source: "Google Benefits" <http://www.google.com/support/jobs/bin/static.py?page=benefits.html> (accessed May 16, 2008).

Companies try to provide the benefits they believe their employees want, but diverse people may want different things. In recent years, some single workers have felt that co-workers with spouses and children seem to get "special breaks" and extra time off to deal with family issues. Some companies use flexible benefit programs to allow employees to choose the benefits they would like, up to a specified amount.

Fringe benefits include sick leave, vacation pay, pension plans, health plans, as well as any other extra compensation. Soft benefits include perks that help balance life and work. They include onsite child care, spas, food service, and even laundry services and hair salons. These soft benefits motivate employees and give them more time to focus on their job.

Cafeteria benefit plans provide a financial amount to employees so that they can select the specific benefits that fit their needs. The key is making benefits flexible, rather than giving employees identical benefits. As firms go global, the need for cafeteria or flexible benefit plans becomes even more important. For some employees, benefits are a greater motivator and differentiator in jobs than wages. For many Starbucks employees who receive health insurance when working part time, this benefit could be the most important compensation.

Over the last two decades, the list of fringe benefits has grown dramatically, and new benefits are being added every year.

Managing Unionized Employees

labor unions
employee organizations
formed to deal with
employers for achieving
better pay, hours, and
working conditions

Employees who are dissatisfied with their working conditions or compensation have to negotiate with management to bring about change. Dealing with management on an individual basis is not always effective, however, so employees may organize themselves into **labor unions** to deal with employers and to achieve better pay, hours, and working conditions. Organized employees are backed by the power of a large group that can hire specialists to represent the entire union in its dealings with management. Union workers make significantly more than nonunion employees. Roughly 12 percent of the workforce is unionized. The national weekly median average income for a non-union service worker is \$404, or \$10 per hour, versus a union workers wages of \$629 per week, or \$15 per hour. One of the more dramatic differences can be found in the construction industry, where unionized workers make nearly \$10 per hour more.²⁸

However, union growth has slowed in recent years, and prospects for growth do not look good. One reason is that most blue-collar workers, the traditional members of unions, have already been organized. Factories have become more automated and need fewer blue-collar workers. The United States has shifted from a manufacturing to a service economy, further reducing the demand for blue-collar workers. Moreover, in response to foreign competition, U.S. companies are scrambling to find ways to become more productive and cost efficient. Job enrichment programs and participative management have blurred the line between management and workers. Because workers' say in the way plants are run is increasing, their need for union protection is decreasing.

Nonetheless, labor unions have been successful in organizing blue-collar manufacturing, government, and health care workers, as well as smaller percentages of employees in other industries. Consequently, significant aspects of HRM, particularly compensation, are dictated to a large degree by union contracts at many companies. Therefore, we'll take a brief look at collective bargaining and dispute resolution in this section.

Collective Bargaining

collective bargaining
the negotiation
process through which
management and unions
reach an agreement
about compensation,
working hours, and
working conditions for
the bargaining unit

Collective bargaining is the negotiation process through which management and unions reach an agreement about compensation, working hours, and working conditions for the bargaining unit (Figure 11.5). The objective of negotiations is to reach agreement about a **labor contract**, the formal, written document that spells out the relationship between the union and management for a specified period of time, usually two or three years.

labor contract
the formal, written
document that spells
out the relationship
between the union
and management for
a specified period of
time—usually two or
three years

In collective bargaining, each side tries to negotiate an agreement that meets its demands; compromise is frequently necessary. Management tries to negotiate a labor contract that permits the company to retain control over things like work schedules; the hiring and firing of workers; production standards; promotions, transfers, and separations; the span of management in each department; and discipline. Unions tend to focus on contract issues such as magnitude of wages; better pay rates for overtime, holidays, and undesirable shifts; scheduling of pay increases; and benefits. These issues will be spelled out in the labor contract, which union members will vote to either accept (and abide by) or reject.

Many labor contracts contain a *cost-of-living escalator (or adjustment) (COLA) clause*, which calls for automatic wage increases during periods of inflation to protect the “real” income of the employees. During tough economic times, unions may be forced to accept *givebacks*—wage and benefit concessions made to employers to

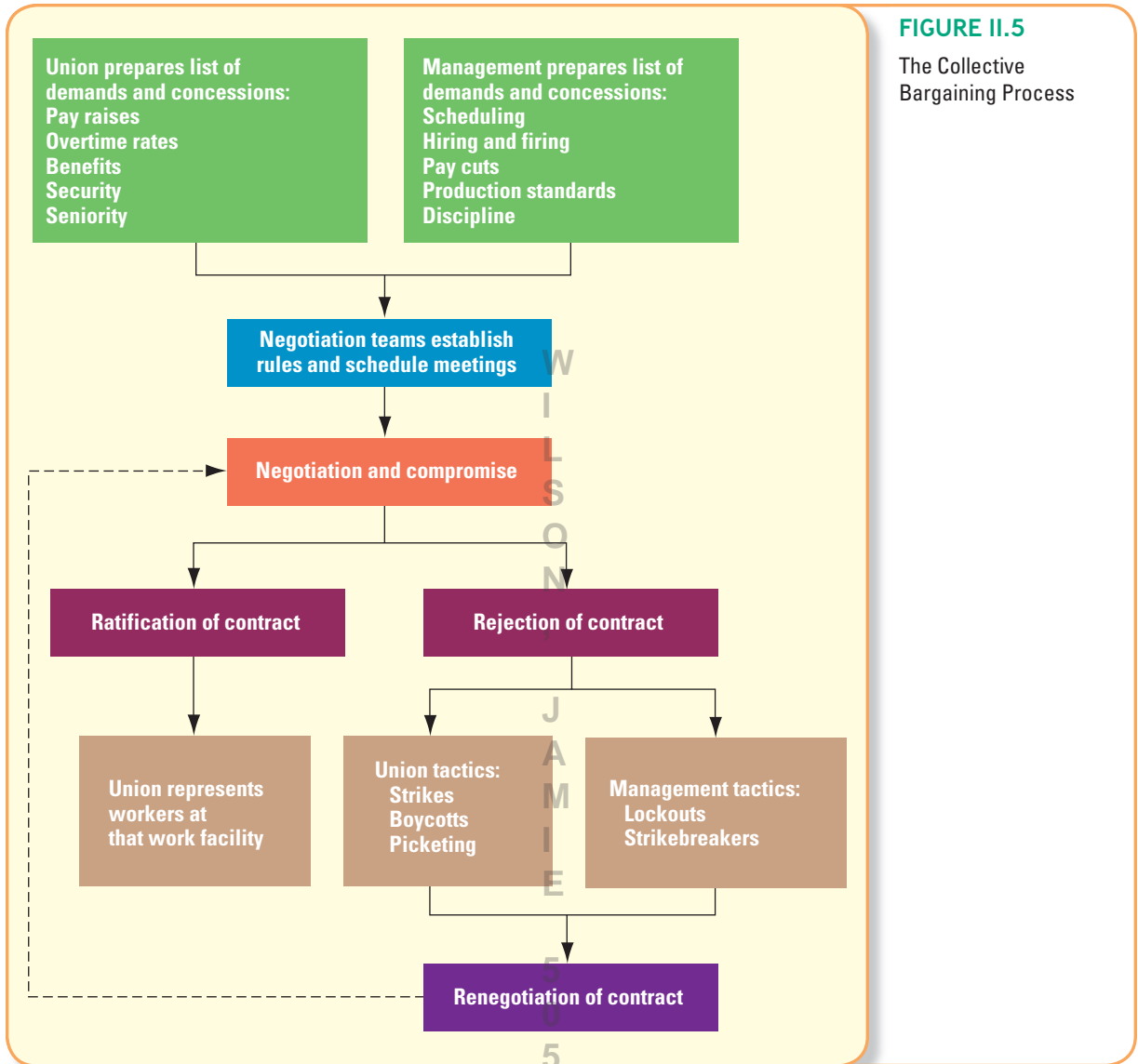


FIGURE II.5
The Collective Bargaining Process

allow them to remain competitive or, in some cases, to survive and continue to provide jobs for union workers.

Resolving Disputes

Sometimes, management and labor simply cannot agree on a contract. Most labor disputes are handled through collective bargaining or through grievance procedures. When these processes break down, however, either side may resort to more drastic measures to achieve its objectives.

Labor Tactics. **Picketing** is a public protest against management practices and involves union members marching (often waving antimanagement signs and placards) at the employer’s plant. Picketing workers hope that their signs will arouse

picketing
a public protest against management practices that involves union members marching and carrying antimanagement signs at the employer’s plant

strikes

employee walkouts; one of the most effective weapons labor has

boycott

an attempt to keep people from purchasing the products of a company

lockout

management's version of a strike, wherein a work site is closed so that employees cannot go to work

strikebreakers

people hired by management to replace striking employees; called "scabs" by striking union members

conciliation

a method of outside resolution of labor and management differences in which a third party is brought in to keep the two sides talking

mediation

a method of outside resolution of labor and management differences in which the third party's role is to suggest or propose a solution to the problem

arbitration

settlement of a labor/management dispute by a third party whose solution is legally binding and enforceable

sympathy for their demands from the public and from other unions. Picketing may occur as a protest or in conjunction with a strike.

Strikes (employee walkouts) are one of the most effective weapons labor has. By striking, a union makes carrying out the normal operations of a business difficult at best and impossible at worst. Strikes receive widespread publicity, but they remain a weapon of last resort. In California, members of the United Food and Commercial Workers (UFCW) went on strike against Albertson's, Ralph's, and Von's supermarkets after they failed to reach agreement on a new contract. The strike, which cost the companies millions of dollars in lost sales and the striking employees significant lost wages, ended when members agreed to ratify a new contract that gave them bonuses but required them to pay for health insurance for the first time.²⁹ The threat of a strike is often enough to get management to back down. In fact, the number of worker-days actually lost to strikes is less than the amount lost to the common cold.

A **boycott** is an attempt to keep people from purchasing the products of a company. In a boycott, union members are asked not to do business with the boycotted organization. Some unions may even impose fines on members who ignore the boycott. To gain further support for their objectives, a union involved in a boycott may also ask the public—through picketing and advertising—not to purchase the products of the picketed firm.

Management Tactics. Management's version of a strike is the **lockout**; management actually closes a work site so that employees cannot go to work. Lockouts are used, as a general rule, only when a union strike has partially shut down a plant and it seems less expensive for the plant to close completely. In 2007, 21 major work stoppages involving 1,000 or more employees participating in strikes and lockouts idled 189,000 workers with 1.27 million lost workdays.³⁰

Strikebreakers, called "scabs" by striking union members, are people hired by management to replace striking employees. Managers hire strikebreakers to continue operations and reduce the losses associated with strikes—and to show the unions that they will not bow to their demands. Strikebreaking is generally a last-resort measure for management because it does great damage to the relationship between management and labor.

Outside Resolution. Management and union members normally reach mutually agreeable decisions without outside assistance. Sometimes though, even after lengthy negotiations, strikes, lockouts, and other tactics, management and labor still cannot resolve a contract dispute. In such cases, they have three choices: conciliation, mediation, and arbitration. **Conciliation** brings in a neutral third party to keep labor and management talking. The conciliator has no formal power over union representatives or over management. The conciliator's goal is to get both parties to focus on the issues and to prevent negotiations from breaking down. Like conciliation, **mediation** involves bringing in a neutral third party, but the mediator's role is to suggest or propose a solution to the problem. Mediators have no formal power over either labor or management. With **arbitration**, a neutral third party is brought in to settle the dispute, but the arbitrator's solution is legally binding and enforceable. Generally, arbitration takes place on a voluntary basis—management and labor must agree to it, and they usually split the cost (the arbitrator's fee and expenses) between them. Occasionally, management and labor submit to *compulsory arbitration*, in which an outside party (usually the federal government) requests arbitration as a means of eliminating a prolonged strike that threatens to disrupt the economy.

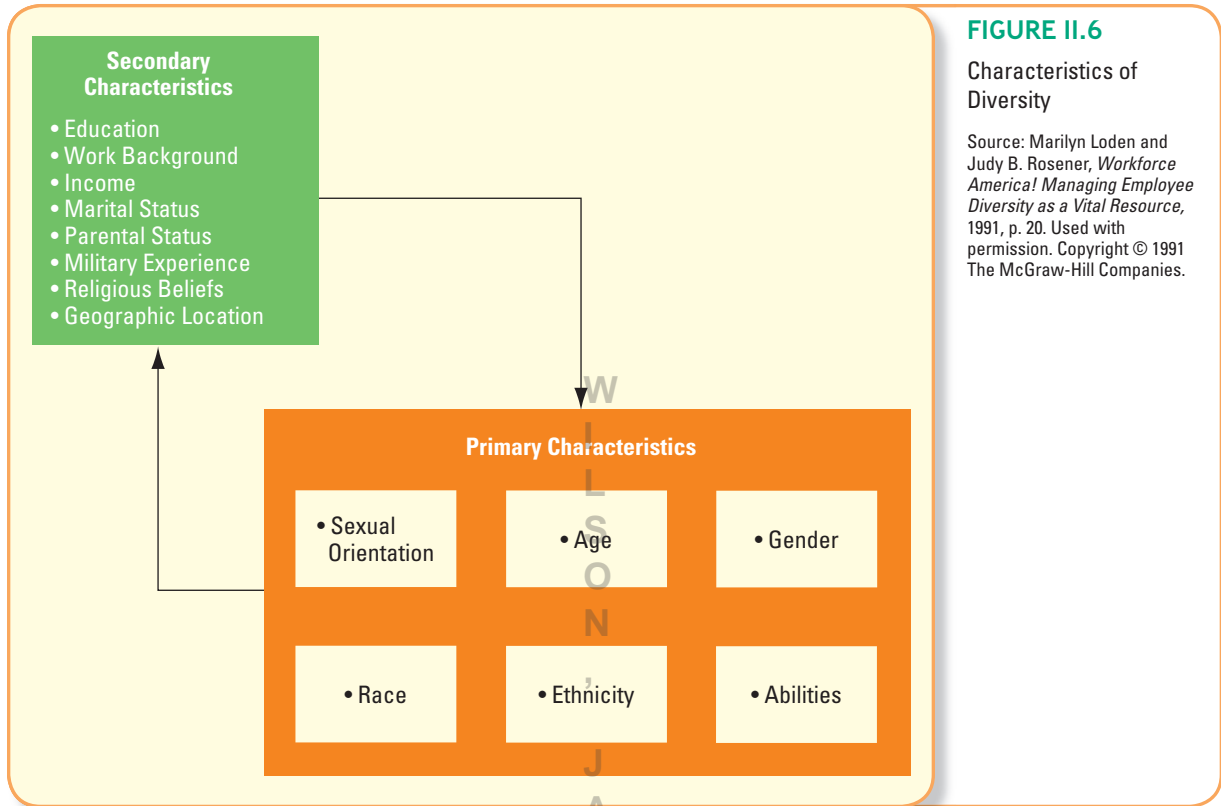


FIGURE II.6

Characteristics of Diversity

Source: Marilyn Loden and Judy B. Rosener, *Workforce America! Managing Employee Diversity as a Vital Resource*, 1991, p. 20. Used with permission. Copyright © 1991 The McGraw-Hill Companies.

The Importance of Workforce Diversity

Customers, employees, suppliers—all the participants in the world of business—come in different ages, genders, races, ethnicities, nationalities, and abilities, a truth that business has come to label **diversity**. Understanding this diversity means recognizing and accepting differences as well as valuing the unique perspectives such differences can bring to the workplace.

The Characteristics of Diversity

When managers speak of diverse workforces, they typically mean differences in gender and race. While gender and race are important characteristics of diversity, others are also important. We can divide these differences into primary and secondary characteristics of diversity. In the lower segment of Figure 11.6, age, gender, race, ethnicity, abilities, and sexual orientation represent *primary characteristics* of diversity which are inborn and cannot be changed. In the upper section of Figure 11.6 are eight *secondary characteristics* of diversity—work background, income, marital status, military experience, religious beliefs, geographic location, parental status, and education—which *can* be changed. We acquire, change, and discard them as we progress through our lives.

Defining characteristics of diversity as either primary or secondary enhances our understanding, but we must remember that each person is defined by the interrelation of all characteristics. In dealing with diversity in the workforce, managers must consider the complete person—not one or a few of a person's differences.

diversity

the participation of different ages, genders, races, ethnicities, nationalities, and abilities in the workplace



Consider Ethics and Social Responsibility

AT&T Achieves Supplier Diversity

According to revenue, AT&T Inc. is the largest communications holding company worldwide. Headquartered in San Antonio, Texas, the company employs 309,050 people around the globe and provides IP-based communications; wireless, high-speed Internet; local and long distance voice services; and directory publishing and advertising services.

AT&T is a company that has been through a great deal of change over the years. However, one thing that has not changed is the company's commitment to supplier diversity. For the past 39 years, AT&T has developed and implemented supplier diversity practices. Supplier diversity is important for a number of reasons; for example, promoting supplier diversity can help to improve communities in which businesses operate. Working with diverse suppliers also often leads to working with a number of smaller businesses, which may offer a company such as AT&T a wider variety of resources.

AT&T developed its Supplier Diversity Programs, designed to promote, increase, and improve the quality of the overall participation in its supply chain of businesses owned by minorities, women, and disabled veterans. AT&T has been willing to spend a good deal of money on this focus—\$5.15 billion, representing 13 percent of the company's procurement base. Over the past 10 years, it has increased its spending with diverse suppliers by 300 percent. AT&T is a member of the Billion Dollar Roundtable, a supplier diversity think tank of corporations spending more than \$1 billion annually with diverse companies. Only 12 companies qualify at this level.

AT&T has also set itself a goal of acquiring 21.5 percent of its total procurement from diversity-owned enterprises.

One such company is Georgia-based Metasys Technologies. Run by Sandeep Gauba, the Asian Indian–American company provides IT staffing solutions, services procurement management, and business process outsourcing. Working with heavy-hitting companies such as AT&T has helped propel the eight-year-old company to sales above \$10 million.

Partnerships such as this are critical. Today, according to the National Minority Supplier Development Council, about 28 percent of the United States population falls into the minority category, but only 15 percent of all businesses are minority-owned. One of the goals of supplier diversity is to increase this latter number. AT&T has received awards and honors for its attention to supplier diversity. Particularly notable is the DiversityBusiness.com Top 50 award, which differs from other awards in that the winning companies are chosen by diverse businessowners themselves. As AT&T continues to evolve, one constant appears to be its commitment to working with and assisting a diverse range of businessowners.³¹

Discussion Questions

1. Why should large companies such as AT&T invest valuable resources in increasing the diversity of suppliers?
2. How does a diverse supplier base help a company's bottom line?
3. What else could AT&T do to ensure diversity?

TABLE II.9

Population by Race
(in thousands)

Ethnic Group	Total	Increase from 2000 to 2004
Total population	5 293,655.4 (100%)	4.3%
White	0 239,880.1 (81.7%)	3.6
Hispanic or Latino	5 41,322.1 (14.1%)	17.0
Black or African American	5 39,232.5 (13.4%)	5.7
American Indian and Alaska Native	1 4,409.4 (1.5%)	7.7
Asian	B 13,956.6 (4.8%)	16.2
Native Hawaiian and Other Pacific Islander	U 976.4 (0.3%)	7.7

Source: "Population by Race and Hispanic Origin: 2000 and 2004," U.S. Census Bureau, Population Estimates Program, April 1, 2000, and July 1, 2004, www.census.gov/population/pop-profile/dynamic/RACEH0.pdf (updated February 2007, accessed June 6, 2008).

Why Is Diversity Important?

The U.S. workforce is becoming increasingly diverse. Once dominated by white men, today's workforce includes significantly more women, African Americans, Hispanics, and other minorities, as well as disabled and older workers. By 2010,

1. Verizon Communications	26. Wells Fargo & Co.
2. The Coca-Cola Co.	27. Ford Motor Co.
3. Bank of America	28. PepsiCo
4. PricewaterhouseCoopers	29. Pepsi Bottling Group
5. Procter & Gamble	30. Xerox Corp.
6. Cox Communications	31. Novartis Pharmaceuticals Corp.
7. Merrill Lynch & Co.	32. General Mills
8. Johnson & Johnson	33. KeyBank
9. IBM	34. Health Care Service Corp.
10. American Express	35. Sprint
11. Marriott International	36. The Walt Disney Co.
12. Sodexo	37. Abbott
13. JPMorgan Chase	38. Accenture
14. Wachovia	39. Macy's
15. Blue Cross and Blue Shield of Florida	40. Henry Ford Health System
16. Deloitte LLP	41. Bright Horizons Family Solutions
17. Ernst & Young	42. WellPoint
18. HSBC Bank USA, NA	43. Kaiser Permanente
19. Starwood Hotels & Resorts Worldwide	44. General Motors
20. Cummins	45. Citigroup
21. Merck & Co.	46. Capital One Financial Corp.
22. AT&T	47. CSX
23. Turner Broadcasting System	48. Toyota Motor North America
24. Prudential	49. KPMG
25. Monsanto Co.	50. Hilton Hotels Corp.

TABLE II.10

The *Diversity Inc.*
Top 50 Companies for
Diversity®

Source: From <http://www.diversityinc.com/public/3272.cfm> (accessed May 16, 2008). Reprinted with permission of DiversityInc®.

women's share of the labor force will increase to 47.9 percent.³² Table 11.9 presents some of the population data from the Census Bureau. It is estimated that within the next 50 years, Hispanics will represent 24 percent of the population, while African Americans and Asians/Pacific Islanders will comprise 15 percent and 9 percent, respectively.³³ These groups have traditionally faced discrimination and higher unemployment rates and have been denied opportunities to assume leadership roles in corporate America. Consequently, more and more companies are trying to improve HRM programs to recruit, develop, and retain more diverse employees to better serve their diverse customers. Some firms are providing special programs such as sponsored affinity groups, mentoring programs, and special career development opportunities. At US West, each manager's contributions to the company's diversity efforts are measured by a 16-point scorecard called the Diversity Accountability Tool. Managers use the scorecard to rate their own efforts to foster diversity and then explain their score in a meeting with the company's CEO. The manager receives an official diversity score that is one factor in determining the manager's annual bonus. Since the program was instituted, scores have jumped 60 percent.³⁴ Table 11.10 shows the top 20 companies for minorities according to a study by *Diversity, Inc.* Effectively managing diversity in the workforce involves cultivating and valuing its benefits and minimizing its problems.

The Benefits of Workforce Diversity

There are a number of benefits to fostering and valuing workforce diversity, including the following:

1. More productive use of a company's human resources.
2. Reduced conflict among employees of different ethnicities, races, religions, and sexual orientations as they learn to respect each other's differences.
3. More productive working relationships among diverse employees as they learn more about and accept each other.
4. Increased commitment to and sharing of organizational goals among diverse employees at all organizational levels.
5. Increased innovation and creativity as diverse employees bring new, unique perspectives to decision-making and problem-solving tasks.
6. Increased ability to serve the needs of an increasingly diverse customer base.³⁵

Companies that do not value their diverse employees are likely to experience greater conflict, as well as prejudice and discrimination. Among individual employees, for example, racial slurs and gestures, sexist comments, and other behaviors by co-workers harm the individuals at whom such behavior is directed. The victims of such behavior may feel hurt, depressed, or even threatened and suffer from lowered self-esteem, all of which harm their productivity and morale. In such cases, women and minority employees may simply leave the firm, wasting the time, money, and other resources spent on hiring and training them. When discrimination comes from a supervisor, employees may also fear for their jobs. A discriminatory atmosphere not only can harm productivity and increase turnover, but it may also subject a firm to costly lawsuits and negative publicity.

Astute businesses recognize that they need to modify their human resources management programs to target the needs of *all* their diverse employees as well as the needs of the firm itself. They realize that the benefits of diversity are long term in nature and come only to those organizations willing to make the commitment. Most importantly, as workforce diversity becomes a valued organizational asset, companies spend less time managing conflict and more time accomplishing tasks and satisfying customers, which is, after all, the purpose of business.

Affirmative Action

Many companies strive to improve their working environment through **affirmative action programs**, legally mandated plans that try to increase job opportunities for minority groups by analyzing the current pool of workers, identifying areas where women and minorities are underrepresented, and establishing specific hiring and promotion goals along with target dates for meeting those goals to resolve the discrepancy. Affirmative action began in 1965 as Lyndon B. Johnson issued the first of a series of presidential directives. It was designed to make up for past hiring and promotion prejudices, to overcome workplace discrimination, and to provide equal employment opportunities for blacks and whites. Since then, minorities have made solid gains.

Legislation passed in 1991 reinforces affirmative action but prohibits organizations from setting hiring quotas that might result in reverse discrimination. Reverse discrimination occurs when a company's policies force it to consider only minorities or women instead of concentrating on hiring the person who is best qualified. More companies are arguing that affirmative action stifles their ability to hire the best employees, regardless of their minority status. Because of these problems, affirmative action became politically questionable in the mid-1990s.

affirmative action programs
legally mandated plans that try to increase job opportunities for minority groups by analyzing the current pool of workers, identifying areas where women and minorities are underrepresented, and establishing specific hiring and promotion goals, with target dates, for addressing the discrepancy

So You Want to Work in Human Resources

Managing human resources is a challenging and creative facet of a business. It is the department that handles the recruiting, hiring, training, and firing of employees. Because of the diligence and detail required in hiring and the sensitivity required in firing, human resource managers have a broad skill set. Human resources, therefore, is vital to the overall functioning of the business because without the right staff a firm will not be able to effectively carry out its plans. Like in basketball, a team is only as strong as its individual players, and those players must be able to work together and to enhance strengths and downplay weaknesses. In addition, a good human resource manager can anticipate upcoming needs and changes in the business, hiring in line with the dynamics of the market and organization.

Once a good workforce is in place, human resource managers must ensure that employees are properly trained and oriented and that they clearly understand some elements of what the organization expects. Hiring new people is expensive, time consuming, and turbulent; thus, it is imperative that all employees are carefully selected, trained, and motivated so that they will remain committed and loyal to the company. This is not an easy task, but it is one of the responsibilities of the human resources manager. Because even with references, a résumé, background checks, and an interview, it can be hard to tell how a person will fit in the organization—the HR manager needs to have skills to be able to anticipate how every individual will “fit in.” Human resource jobs include compensation, labor relations, benefits, training,

ethics, and compliance managers. All of the tasks associated with the interface with hiring, developing, and maintaining employee motivation come into play in human resource management. Jobs are diverse and salaries will depend on responsibilities, education, and experience.

One of the major considerations for an HR manager is workforce diversity. A multicultural, multiethnic workforce consisting of men and women will help to bring a variety of viewpoints and improve the quality and creativity of organizational decision making. Diversity is an asset and can help a company from having blindspots or harmony in thought, background, and perspective, which stifles good team decisions. However, a diverse workforce can present some management challenges. Human resource management is often responsible for managing diversity training and compliance to make sure employees do not violate the ethical culture of the organization or break the law. Different people have different goals, motivations, and ways of thinking about issues that are informed by their culture, religion, and the people closest to them. No one way of thinking is more right or more wrong than others, and they are all valuable. A human resource manager’s job can become very complicated, however, because of diversity. To be good at human resources, you should be aware the value of differences, strive to be culturally sensitive, and ideally should have a strong understanding and appreciation of different cultures and religions. Human resource managers’ ability to manage diversity and those differences will affect their overall career success.

Review Your Understanding

Define human resources management, and explain its significance.

Human resources, or personnel, management refers to all the activities involved in determining an organization’s human resources needs and acquiring, training, and compensating people to fill those needs. It is concerned with maximizing the satisfaction of employees and improving their efficiency to meet organizational objectives.

Summarize the processes of recruiting and selecting human resources for a company.

First, the human resources manager must determine the firm’s future human resources needs and develop a strategy to meet them. Recruiting is the formation of a pool of qualified applicants from which management will select

employees; it takes place both internally and externally. Selection is the process of collecting information about applicants and using that information to decide which ones to hire; it includes the application, interviewing, testing, and reference checking.

Discuss how workers are trained and their performance appraised.

Training teaches employees how to do their specific job tasks; development is training that augments the skills and knowledge of managers and professionals, as well as current employees. Appraising performance involves identifying an employee’s strengths and weaknesses on the job. Performance appraisals may be subjective or objective.

Identify the types of turnover companies may experience, and explain why turnover is an important issue.

A promotion is an advancement to a higher-level job with increased authority, responsibility, and pay. A transfer is a move to another job within the company at essentially the same level and wage. Separations occur when employees resign, retire, are terminated, or are laid off. Turnovers due to separation are expensive because of the time, money, and effort required to select, train, and manage new employees.

Specify the various ways a worker may be compensated.

Wages are financial compensation based on the number of hours worked (time wages) or the number of units produced (piece wages). Commissions are a fixed amount or a percentage of a sale paid as compensation. Salaries are compensation calculated on a weekly, monthly, or annual basis, regardless of the number of hours worked or the number of items produced. Bonuses and profit sharing are types of financial incentives. Benefits are nonfinancial forms of compensation, such as vacation, insurance, and sick leave.

Discuss some of the issues associated with unionized employees, including collective bargaining and dispute resolution.

Collective bargaining is the negotiation process through which management and unions reach an agreement on

a labor contract—the formal, written document that spells out the relationship written between the union and management. If labor and management cannot agree on a contract, labor union members may picket, strike, or boycott the firm, while management may lock out striking employees, hire strikebreakers, or form employers' associations. In a deadlock, labor disputes may be resolved by a third party—a conciliator, mediator, or arbitrator.

Describe the importance of diversity in the workforce.

When companies value and effectively manage their diverse workforces, they experience more productive use of human resources, reduced conflict, better work relationships among workers, increased commitment to and sharing of organizational goals, increased innovation and creativity, and enhanced ability to serve diverse customers.

Assess an organization's efforts to reduce its workforce size and manage the resulting effects.

Based on the material in this chapter, you should be able to answer the questions posed in "Solve the Dilemma" on page 351 and evaluate the company's efforts to manage the human consequences of its downsizing.

Revisit the World of Business

1. How do you think employees' opinions about fair compensation change during an economic slowdown?
2. How can employees who receive commissions maintain their pay if their industry has declining sales?

3. Do you think that allowing employees more flexible scheduling of work hours can be an important contribution to a satisfying work experience?

Learn the Terms

affirmative action programs 346
 arbitration 342
 benefits 337
 bonuses 377
 boycott 342
 collective bargaining 340
 commission 336
 conciliation 342
 development 330
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 management (HRM) 322

job analysis 323
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Check Your Progress

1. Distinguish among job analysis, job descriptions, and job specifications. How do they relate to planning in human resources management?
2. What activities are involved in acquiring and maintaining the appropriate level of qualified human resources? Name the stages of the selection process.
3. What are the two types of training programs? Relate training to kinds of jobs.
4. What is the significance of performance appraisal? How do managers appraise employees?
5. Why does turnover occur? List the types of turnover. Why do businesses want to reduce turnover due to separations?
6. Relate wages, salaries, bonuses, and benefits to Herzberg's distinction between hygiene and motivation factors. How does the form of compensation relate to the type of job?
7. What is the role of benefits? Name some examples of benefits.
8. Describe the negotiation process through which management and unions reach an agreement on a contract.
9. Besides collective bargaining and the grievance procedures, what other alternatives are available to labor and management to handle labor disputes?
10. What are the benefits associated with a diverse workforce?

Get Involved

1. Although many companies screen applicants and test employees for illegal drug use, such testing is somewhat controversial. Find some companies in your community that test applicants and/or employees for drugs. Why do they have such a policy? How do the employees feel about it? Using this information, debate the pros and cons of drug testing in the workplace.
2. If collective bargaining and the grievance procedures have not been able to settle a current labor dispute, what tactics would you and other employees adopt? Which tactics would be best for which situations? Give examples.
3. Find some examples of companies that value their diverse workforces, perhaps some of the companies mentioned in the chapter. In what ways have these firms derived benefits from promoting cultural diversity? How have they dealt with the problems associated with cultural diversity?

Build Your Skills



APPRECIATING AND VALUING DIVERSITY

Background:

Here's a quick self-assessment to get you to think about diversity issues and

evaluate the behaviors you exhibit that reflect your level of appreciation of other cultures:

Do you . . .	Regularly	Sometimes	Never
1. Make a conscious effort not to think stereotypically?			
2. Listen with interest to the ideas of people who don't think like you do?			
3. Respect other people's opinions, even when you disagree?			
4. Spend time with friends who are not your age, race, gender, or the same economic status and education?			
5. Believe your way is <i>not</i> the only way?			
6. Adapt well to change and new situations?			
7. Enjoy traveling, seeing new places, eating different foods, and experiencing other cultures?			
8. Try not to offend or hurt others?			
9. Allow extra time to communicate with someone whose first language is not yours?			
10. Consider the effect of cultural differences on the messages you send and adjust them accordingly?			

Scoring

Number of **Regularly** checks _____ multiplied by 5 = _____
 Number of **Sometimes** checks _____ multiplied by 3 = _____
 Number of **Never** checks _____ multiplied by 0 = _____
 TOTAL _____

Indications from score

- 40–50 You appear to understand the importance of valuing diversity and exhibit behaviors that support your appreciation of diversity.
- 26–39 You appear to have a basic understanding of the importance of valuing diversity and exhibit some behaviors that support that understanding.
- 13–25 You appear to lack a thorough understanding of the importance of valuing diversity and exhibit only some behaviors related to valuing diversity.
- 0–12 You appear to lack an understanding of valuing diversity and exhibit few, if any, behaviors of an individual who appreciates and values diversity.

Task:

In a small group or class discussion, share the results of your assessment. After reading the following list of ways you can increase your knowledge and understanding of other cultures, select one of the items that you have done and share how it helped you learn more about another culture. Finish your discussion by generating your own ideas on other ways you can learn about and understand other cultures and fill in those ideas on the blank lines on page 351.

- Be alert to and take advantage of opportunities to talk to and get to know people from other races and ethnic groups. You can find them in your neighborhood, in your classes, at your fitness center, at a concert or sporting event—just about anywhere you go. Take the initiative to strike up a conversation and show a genuine interest in getting to know the other person.
- Select a culture you're interested in and immerse yourself in that culture. Read novels, look at art, take courses, see plays.
- College students often have unique opportunities to travel inexpensively to other countries—for example, as a member of a performing arts group, with a humanitarian mission group, or as part of a college course studying abroad. Actively seek out travel opportunities that will expose you to as many cultures as possible during your college education.
- Study a foreign language.

- Expand your taste buds. The next time you're going to go to a restaurant, instead of choosing that old familiar favorite, use the Yellow Pages to find a restaurant that serves ethnic food you've never tried before.
- Many large metropolitan cities sponsor ethnic festivals, particularly in the summertime, where you can go and take in the sights and sounds of other cultures. Take advantage of these opportunities to have a fun time learning about cultures that are different from yours.
- _____
- _____
- _____

Solve the Dilemma



Morale Among the Survivors

Medallion Corporation manufactures quality carpeting and linoleum for homes throughout the United States. A recession and subsequent downturn in home sales has sharply cut the company's sales. Medallion found itself in the unenviable position of having to lay off hundreds of employees in the home office (the manufacturing facilities) as well as many salespeople. Employees were called in on Friday afternoon and told about their status in individual meetings with their supervisors. The laid-off employees were given one additional month of work and a month of severance pay, along with the opportunity to sign up for classes to help with the transition, including job search tactics and résumé writing.

Several months after the cutbacks, morale was at an all-time low for the company, although productivity had improved. Medallion brought in consultants, who

suggested that the leaner, flatter organizational structure would be suitable for more team activities. Medallion therefore set up task forces and teams to deal with employee concerns, but the diversity of the workforce led to conflict and misunderstandings among team members. Medallion is evaluating how to proceed with this new team approach.

Discussion Questions

1. What did Medallion's HRM department do right in dealing with the employees who were laid off?
2. What are some of the potential problems that must be dealt with after an organization experiences a major trauma such as massive layoffs?
3. What can Medallion do to make the team approach work more smoothly? What role do you think diversity training should play?

Build Your Business Plan



MANAGING HUMAN RESOURCES

Now is the time to start thinking about the employees you will need to hire to implement your business plan. What kinds of background/skills are you going to look for in potential employees? Are you going to require a certain amount of work experience?

When you are starting a business you are often only able to hire part-time employees because you cannot afford to pay the benefits for a full time employee. Remember at the end of the last chapter we discussed how important it is to think of ways to motivate your employees when you cannot afford to pay them what you would like.

You need to consider how you are going to recruit your employees. When you are first starting your business, it

is often a good idea to ask people you respect (and not necessarily members of your family) for any recommendations of potential employees they might have. You probably won't be able to afford to advertise in the classifieds, so announcements in sources such as church bulletins or community bulletin boards should be considered as an excellent way to attract potential candidates with little, if any, investment.

Finally, you need to think about hiring employees from diverse backgrounds. Especially if you are considering targeting diverse segments. The more diverse your employees, the greater the chance you will be able to draw in diverse customers.

See for Yourself Videocase



PATAGONIA FOCUSES ON EMPLOYEES AND THE ENVIRONMENT

Combine “there is no business on a dead planet” (a quote from the executive director of the Sierra Club, posted in Patagonia’s front office next to daily surf reports) with “let my people surf” (the title of Yvon Chouinard’s recent book), and you sum up much of what Patagonia and its founder, Yvon Chouinard, are all about. Patagonia, maker of outdoor equipment, clothing, and more, is truly a unique company. The company was founded more than 35 years ago and now boasts 1,300 employees and \$275 million per year in sales. From the beginning, Chouinard and his wife and business partner, Malinda, declared that they would establish a business only on their own terms of environmental preservation above all else. The company’s values are minimalistic, are in harmony with nature, and reflect those of a business founded by climbers and surfers. However, the company is not only dedicated to the environment; it’s also dedicated to its people. Chouinard and those at Patagonia believe strongly that employees are to be treated as human beings whose lives outside of work are honored and attended to.

Chouinard has built Patagonia’s culture based on a commitment to his ideals. To this end, Patagonia encourages all employees to balance work, play, and family and maintains a highly casual atmosphere. Unlike in many businesses where employees often leave their true personalities at the door to conform to business policies, at Patagonia Chouinard wants employees to retain who they are at all times. Chouinard, himself, is a passionate and dedicated mountain climber, surfer, and skier. He spends at least half the year in the field doing what he loves: testing Patagonia’s many products and spreading Patagonia’s message of environmental preservation. Much of the workforce the company attracts shares the same passions. During Patagonia’s early days, the entire office (located in Ventura, California, near the beach) closed when the surf was good. Today, employees are expected to use their lunch “hours” to surf, cycle, or take company-offered yoga and Pilates classes. Patagonia employees work on flextime. When the surf is up or the snow is good, they are encouraged to go out and take advantage, and the company trusts them to make up the work time.

Benefits at Patagonia don’t stop there. The company has run a child care facility at its headquarters since 1985. Here, children remain close to their parents and are considered to be as much a part of the company as its employees. The company also offers paid maternity and

paternity leave and believes that if children are ever ill, the parents should be with them rather than at work. One hundred percent of insurance premiums are paid for both full- and part-time employees. Because many Patagonia employees share Chouinard’s dedication to the environment, after one year of employment Patagonia covers up to 60 days worth of an employee’s salary, enabling employees to take time to volunteer with grassroots organizations. Employees are simply asked to report back about their experiences upon their return. In 1985, Patagonia created the Patagonia Earth Tax. The company gives back 1 percent of sales to environmental grassroots organizations. Employees from all parts of the company serve on a council where they work together to determine which organizations the company will support.

Patagonia has received criticism from the business community for its unorthodox business practices, but employees are loyal. In fact, there are about 900 applicants for every job opening at Patagonia’s headquarters. Because competition is so fierce, those who make it through are entirely committed to Chouinard, the company, and Patagonia’s values. For all that Patagonia appears laidback, Chouinard and his team are striving for perfection—the highest quality with the least impact—every day. Annual turnover at Patagonia is only 4 percent. Chouinard has been quoted saying that to grow his business the way he could—to become a huge, massively profitable corporation—would be to destroy everything he believes in and has strived for from the beginning. Critics have been harsh about his inclination toward hiring the most cause-oriented rather than the most skilled employees (a point hotly contested by employees, to be sure), but there is much to be said for passionate people. Chouinard’s employees value what they have at Patagonia and protect it with thorough dedication, and no one can deny that the company is a success.³⁶

Discussion Questions:

1. How do Chouinard’s personal and work values affect the daily lives of Patagonia employees?
2. What does Patagonia do for its employees to inspire such loyalty and fierce competition for jobs?
3. What can other businesses learn from Chouinard and Patagonia?

Remember to check out our Online Learning Center at www.mhhe.com/ferrell7e.

Appendix C

Personal Career Plan

The tools and techniques used in creating a business plan are just as useful in designing a plan to help sell yourself to potential employers. The outline in this appendix is designed to assist you in writing a personalized plan that will help you achieve your career goals. While this outline follows the same general format found in Appendix A, it has been adapted to be more relevant to career planning. Answering the questions presented in this outline will enable you to:

1. Organize and structure the data and information you collect about job prospects, the overall job market, and your competition.
2. Use this information to better understand your own personal strengths and weaknesses, as well as recognize the opportunities and threats that exist in your career development.
3. Develop goals and objectives that will capitalize on your strengths.
4. Develop a personalized strategy that will give you a competitive advantage.
5. Outline a plan for implementing your personalized strategy.

As you work through the following outline, it is very important that you be honest with yourself. If you do not possess a strength in a given area, it is important to recognize that fact. Similarly, do not overlook your weaknesses. The viability of your SWOT analysis and your strategy depend on how well you have identified all of the relevant issues in an honest manner.

I. Summary

If you choose to write a summary, do so after you have written the entire plan. It should provide a brief overview of the strategy for your career. State your career objectives and what means you will use to achieve those objectives.

II. Situation Analysis

A. The External Environment

1. Competition

- a) Who are your major competitors?
What are their characteristics

(number and growth in the number of graduates, skills, target employers)? Competitors to consider include peers at the same college or in the same degree field, peers at different colleges or in different degree fields, and graduates of trade, technical, or community colleges.

- b) What are the key strengths and weaknesses of the total pool of potential employees (or recent college graduates)?
 - c) What are other college graduates doing in terms of developing skills, networking, showing a willingness to relocate, and promoting themselves to potential employers?
 - d) What are the current trends in terms of work experience versus getting an advanced degree?
 - e) Is your competitive set likely to change in the future? If so, how? Who are these new competitors likely to be?
- #### 2. Economic conditions
- a) What are the general economic conditions of the country, region, state, and local area in which you live or in which you want to relocate?
 - b) Overall, are potential employers optimistic or pessimistic about the economy?
 - c) What is the overall outlook for major job/career categories? Where do potential employers seem to be placing their recruitment and hiring emphasis?
 - d) What is the trend in terms of starting salaries for major job/career categories?

3. Political trends

- a) Have recent elections changed the political landscape so that certain industries or companies are now more or less attractive as potential employers?

4. Legal and regulatory factors

- a) What changes in international, federal, state, or local laws and regulations are being proposed that would affect your job/career prospects?
- b) Have recent court decisions made it easier or harder for you to find employment?
- c) Have global trade agreements changed in any way that makes certain industries or companies more or less attractive as potential employers?

5. Changes in technology

- a) What impact has changing technology had on potential employers in terms of their need for employees?
- b) What technological changes will affect the way you will have to work and compete for employment in the future?
- c) What technological changes will affect the way you market your skills and abilities to potential employers?
- d) How do technological advances threaten to make your skills and abilities obsolete?

6. Cultural trends

- a) How are society's demographics and values changing? What effect will these changes have on your:
 - (1) Skills and abilities:
 - (2) Career/lifestyle choices:
 - (3) Ability to market yourself:
 - (4) Willingness to relocate:
 - (5) Required minimum salary:
- b) What problems or opportunities are being created by changes in the cultural diversity of the labor pool and the requirements of potential employers?

- c) What is the general attitude of society regarding the particular skills, abilities, and talents that you possess and the career/lifestyle choices that you have made?

B. The Employer Environment**1. Who are your potential employers?**

- a) Identifying characteristics: industry, products, size, growth, profitability, hiring practices, union/nonunion, employee needs, etc.
- b) Geographic characteristics: home office, local offices, global sites, expansion, etc.
- c) Organizational culture: mission statement, values, priorities, employee training, etc.
- d) In each organization, who is responsible for recruiting and selecting new employees?

2. What do your potential employers look for in new employees?

- a) What are the basic or specific skills and abilities that employers are looking for in new employees?
- b) What are the basic or specific needs that are fulfilled by the skills and abilities that you *currently* possess and that other potential employees currently possess?
- c) How well do your skills and abilities (and those of your competitors) currently meet the needs of potential employers?
- d) How are the needs of potential employers expected to change in the future?

3. What are the recent hiring practices of your potential employers?

- a) How many employees are being hired? What combination of skills and abilities do these new hires possess?
- b) Is the growth or decline in hiring related to the recent expansion or downsizing of markets and/or territories? Changes in technology?
- c) Are there major hiring differences between large and small companies? If so, why?

4. Where and how do your potential employers recruit new employees?

- a) Where do employers make contact with potential employees?
 - (1) College placement offices:
 - (2) Job/career fairs:
 - (3) Internship programs:
 - (4) Headhunting firms:
 - (5) Unsolicited applications:
 - (6) The Internet:
- b) Do potential employers place a premium on experience or are they willing to hire new graduates without experience?

5. When do your potential employers recruit new employees?

- a) Does recruiting follow a seasonal pattern or do employers recruit new employees on an ongoing basis?

C. Personal Assessment

1. Review of personal goals, objectives, and performance

- a) What are your personal goals and objectives in terms of employment, career, lifestyle, geographic preferences, etc.?
- b) Are your personal goals and objectives consistent with the realities of the labor market? Why or why not?
- c) Are your personal goals and objectives consistent with recent changes in the external or employer environments? Why or why not?
- d) How are your current strategies for success working in areas such as course performance, internships, networking, job leads, career development, interviewing skills, etc.?
- e) How does your current performance compare to that of your peers (competitors)? Are they performing well in terms of course performance, internships, networking, job leads, career development, interviewing skills, etc.?
- f) If your performance is declining, what is the most likely cause?

- g) If your performance is improving, what actions can you take to ensure that your performance continues in this direction?

2. Inventory of personal skills and resources

- a) What do you consider to be your marketable skills? This list should be as comprehensive as possible and include areas such as interpersonal skills, organizational skills, technological skills, communication skills (oral and written), networking/teambuilding skills, etc.
- b) Considering the current and future needs of your potential employers, what important skills are you lacking?
- c) Other than personal skills, what do you consider to be your other career enhancing resources? This list should be as comprehensive as possible and include areas such as financial resources (to pay for additional training, if necessary), personal contacts or “connections” with individuals who can assist your career development, specific degrees or certificates you hold, and intangible resources (family name, prestige of your educational institution, etc.).
- d) Considering the current and future needs of your potential employers, what important resources are you lacking?

III. SWOT Analysis (your personal strengths and weaknesses and the opportunities and threats that may impact your career)

A. Personal Strengths

- 1. Three key strengths
 - a) Strength 1:
 - b) Strength 2:
 - c) Strength 3:
- 2. How do these strengths allow you to meet the needs of your potential employers?
- 3. How do these strengths compare to those of your peers/competitors? Do

these strengths give you an advantage relative to your peers/competitors?

B. Personal Weaknesses

1. Three key weaknesses
 - a) Weakness 1:
 - b) Weakness 2:
 - c) Weakness 3:
2. How do these weaknesses cause you to fall short of meeting the needs of your potential employers?
3. How do these weaknesses compare to those of your peers/competitors? Do these weaknesses put you at a disadvantage relative to your peers/competitors?

C. Career Opportunities

1. Three key career opportunities
 - a) Opportunity 1:
 - b) Opportunity 2:
 - c) Opportunity 3:
2. How are these opportunities related to serving the needs of your potential employers?
3. What actions must be taken to capitalize on these opportunities in the short-term? In the long-term?

D. Career Threats

1. Three key career threats
 - a) Threat 1:
 - b) Threat 2:
 - c) Threat 3:
2. How are these threats related to serving the needs of your potential employers?
3. What actions must be taken to prevent these threats from limiting your capabilities in the short-term? In the long-term?

E. The SWOT Matrix

F. Matching, Converting, Minimizing, and Avoiding Strategies

1. How can you match your strengths to your opportunities to better serve the needs of your potential employers?
2. How can you convert your weaknesses into strengths?
3. How can you convert your threats into opportunities?
4. How can you minimize or avoid those weaknesses and threats that cannot be converted successfully?

IV. Resources

A. Financial

1. Do you have the financial resources necessary to undertake and successfully complete this plan (that is, preparation/duplication/ mailing of a résumé; interviewing costs, including proper attire; etc.)?

B. Human

1. Is the industry in which you are interested currently hiring? Are companies in your area currently hiring?

C. Experience and Expertise

1. Do you have experience from either part-time or summer employment that could prove useful in your current plan?
2. Do you have the required expertise or skills to qualify for a job in your desired field? If not, do you have the resources to obtain them?

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V. Strategies

A. Objective(s)

1. Potential employer A:
 - a) Descriptive characteristics:
 - b) Geographic locations:
 - c) Culture/values/mission:
 - d) Basic employee needs:
 - e) Recruiting/hiring practices:
 - f) Employee training/compensation practices:
 - g) Justification for selection:
2. Potential employer B:
 - a) Descriptive characteristics:
 - b) Geographic locations:
 - c) Culture/values/mission:
 - d) Basic employee needs:
 - e) Recruiting/hiring practices:
 - f) Employee training/compensation practices:
 - g) Justification for selection:

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B. Strategy(ies) for Using Capabilities and Resources

1. Strategy A (to meet the needs of potential employer A)
 - a) Personal skills, abilities, and resources
 - (1) Description of your skills and abilities:

- (2) Specific employer needs that your skills/abilities can fulfill:
 - (3) Differentiation relative to peers/competitors (why should *you* be hired?):
 - (4) Additional resources that you have to offer:
 - (5) Needed or expected starting salary:
 - (6) Expected employee benefits:
 - (7) Additional employer-paid training that you require:
 - (8) Willingness to relocate:
 - (9) Geographic areas to target:
 - (10) Corporate divisions or offices to target:
 - (11) Summary of overall strategy:
 - (12) Tactics for standing out among the crowd of potential employees:
 - (13) Point of contact with potential employer:
 - (14) Specific elements
 - (a) Résumé:
 - (b) Internships:
 - (c) Placement offices:
 - (d) Job fairs:
 - (e) Personal contacts:
 - (f) Unsolicited:
 - (15) Specific objectives and budget:
2. Strategy B (to meet the needs of potential employer B)
- a) Personal skills, abilities, and resources
 - (1) Description of your skills and abilities:
 - (2) Specific employer needs that your skills/abilities can fulfill:
 - (3) Differentiation relative to peers/competitors (why should *you* be hired?):
 - (4) Additional resources that you have to offer:
 - (5) Needed or expected starting salary:
 - (6) Expected employee benefits:
 - (7) Additional employer-paid training that you require:
 - (8) Willingness to relocate:
 - (9) Geographic areas to target:

- (10) Corporate divisions or offices to target:
- (11) Summary of overall strategy:
- (12) Tactics for standing out among the crowd of potential employees:
- (13) Point of contact with potential employer:
- (14) Specific elements
 - (a) Résumé:
 - (b) Internships:
 - (c) Placement offices:
 - (d) Job fairs:
 - (e) Personal contacts:
 - (f) Unsolicited:
- (15) Specific objectives and budget:

C. Strategy Summary

1. How does strategy A (B) give you a competitive advantage in serving the needs of potential employer A (B)?
2. Is this competitive advantage sustainable? Why or why not?

VI. Financial Projections and Budgets

- A. Do you have a clear idea of your budgetary requirements (for example, housing, furnishings, clothing, transportation, food, other living expenses)?
- B. Will the expected salaries/benefits from potential employers meet these requirements? If not, do you have an alternative plan (that is, a different job choice, a second job, requesting a higher salary)?

VII. Controls and Evaluation

A. Performance Standards

1. What do you have to offer?
Corrective actions that can be taken if your skills, abilities, and resources do not match the needs of potential employers:
2. Are you worth it?
Corrective actions that can be taken if potential employers do not think your skills/abilities are worth your asking price:
3. Where do you want to go?
Corrective actions that can be taken if potential employers do not offer you a position in a preferred geographic location:

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4. How will you stand out among the crowd?
Corrective actions that can be taken if your message is not being heard by potential employers or is not reaching the right people:

B. Monitoring Procedures

1. What types and levels of formal control mechanisms are in place to ensure the proper implementation of your plan?
 - a) Are your potential employers hiring?
 - b) Do you need additional training/education?
 - c) Have you allocated sufficient time to your career development?
 - d) Are your investments in career development adequate?
 - (1) Training/education:
 - (2) Networking/making contacts:
 - (3) Wardrobe/clothing:
 - (4) Development of interviewing skills:

- e) Have you done your homework on potential employers?
- f) Have you been involved in an internship program?
- g) Have you attended job/career fairs?
- h) Are you using the resources of your placement center?
- i) Are you committed to your career development?

C. Performance Analysis

1. Number/quality/potential of all job contacts made:
2. Number of job/career fairs attended and quality of the job leads generated:
3. Number of résumés distributed:
 - a) Number of potential employers who responded:
 - b) Number of negative responses:
4. Number of personal interviews:
5. Number/quality of job offers:

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