

# **strategic human resource management**

3e

Jeffrey A. Mello



**SOUTH-WESTERN**  
CENGAGE Learning™

Australia • Brazil • Japan • Korea • Mexico • Singapore • Spain • United Kingdom • United States

Preface xv  
About the Author xix

*part one*

**The Context of Strategic Human Resource Management**

- 1 An Investment Perspective of Human Resource Management 3
- 2 Social Responsibility and Human Resource Management 39
- 3 Strategic Management 103
- 4 The Evolving/Strategic Role of Human Resource Management 155
- 5 Human Resource Planning 205
- 6 Design and Redesign of Work Systems 245
- 7 Employment Law 297

*part two*

**Implementation of Strategic Human Resource Management**

- 8 Staffing 343
- 9 Training and Development 395
- 10 Performance Management and Feedback 437
- 11 Compensation 491
- 12 Labor Relations 539
- 13 Employee Separation and Retention Management 581
- 14 Global Human Resource Management 621

Subject Index 681  
Name Index 686  
Company Index 688

# C O N T E N T S

|                  |     |
|------------------|-----|
| Preface          | xv  |
| About the Author | xix |

## *part one*

### The Context of Strategic Human Resource Management

|  |           |
|--|-----------|
| <b>1 AN INVESTMENT PERSPECTIVE OF HUMAN RESOURCE MANAGEMENT</b>  | <b>3</b>  |
| Adopting an Investment Perspective   | 4         |
| Managing Employees at United Parcel Service  | 5         |
| Valuation of Assets  | 6         |
| Understanding and Measuring Human Capital  | 6         |
| Measuring Human Assets/Capital at Dow Chemical   | 8         |
| Human Resource Metrics   | 9         |
| Labor Supply Chain Management at Valero Energy   | 11        |
| Factors Influencing How "Investment Oriented" an Organization Is   | 11        |
| Conclusion   | 14        |
| Critical Thinking  | 14        |
| Exercises  | 15        |
| Chapter References   | 15        |
| <b>READING 1.1:</b> The Hidden Leverage of Human Capital by Jeffrey A. Oxman   | 16        |
| <b>READING 1.2:</b> Seven Common Misconceptions about Human Resource Practices: Research Findings versus Practitioner Beliefs by Sara L. Rynes, Kenneth G. Brown, and Amy E. Colbert | 20        |
| <b>READING 1.3:</b> Maximizing Human Capital: Demonstrating HR Value with Key Performance Indicators by Nancy R. Lockwood  | 29        |
| <br>   |           |
| <b>2 SOCIAL RESPONSIBILITY AND HUMAN RESOURCE MANAGEMENT</b>   | <b>39</b> |
| Workforce Demographic Changes and Diversity  | 40        |
| Generational Diversity   | 41        |
| Sexual Orientation   | 43        |
| Individuals with Disabilities  | 44        |
| Employing Workers with Disabilities at Walgreens   | 44        |
| Diversity at Hasbro  | 44        |
| Diversity at Texas Instruments   | 45        |
| Other Dimensions of Diversity  | 45        |
| Diversity Initiatives at Intel   | 47        |
| Managing Diversity at PepsiCo  | 48        |
| Affinity Groups at Frito-Lay and PepsiCo   | 48        |
| Ethical Behavior   | 49        |
| Intrapreneurship at Intel  | 51        |
| Corporate Social Responsibility/Sustainability   | 55        |

|  |            |
|--|------------|
| Sustainability at General Electric   | 56         |
| Offshoring at Gap, Inc.  | 56         |
| Conclusion 58 / Critical Thinking 58 / Exercises 58 / Chapter References   | 59         |
| <b>READING 2.1:</b> Stereotype Threat at Work by Loriann Roberson and Carol T. Kulik   | 60         |
| <b>READING 2.2:</b> The Ethics of Human Resource Management by Elizabeth D. Scott  | 74         |
| <b>READING 2.3:</b> Does It Pay to Be Green? A Systematic Overview by Stefan Ambec and Paul Lanoie   | 88         |
| <br>   |            |
| <b>3 STRATEGIC MANAGEMENT</b>  | <b>103</b> |
| Models of Strategy   | 104        |
| Sarasota Memorial Hospital   | 105        |
| The Process of Strategic Management  | 105        |
| I: Mission Statement   | 105        |
| II: Analysis of Environment  | 106        |
| III: Organization Self-Assessment  | 107        |
| IV: Establishing Goals and Objectives  | 109        |
| V: Setting Strategy  | 109        |
| First Tennessee National Corp.   | 110        |
| Corporate Strategies   | 110        |
| Business Unit Strategies   | 111        |
| Innovation and Creativity as Components of Strategy  | 112        |
| Innovation at Whirlpool  | 114        |
| Creativity at Cirque du Soleil   | 114        |
| The Privatization Decision as Part of Strategy   | 114        |
| Conclusion 115 / Critical Thinking 116 / Exercises 116 / Chapter References  | 116        |
| <b>READING 3.1:</b> Human Resources and the Resource-Based View of the Firm by Patrick M. Wright, Benjamin B. Dunford, and Scott, A. Snell | 118        |
| <b>READING 3.2:</b> Are You Sure You Have a Strategy? by Donald C. Hambrick and James W. Fredrickson                                       | 130        |
| <b>READING 3.3:</b> Strategic and Organizational Requirements for Competitive Advantage by David Lei and John W. Slocum, Jr.               | 141        |
| <br>   |            |
| <b>4 THE EVOLVING/STRATEGIC ROLE OF HUMAN RESOURCE MANAGEMENT</b>  | <b>155</b> |
| Strategic HR at General Electric   | 156        |
| Strategic HR Versus Traditional HR   | 157        |
| HR Roles at Mercantile Bank  | 158        |
| Strategic Human Resource Management at Southwest Airlines  | 161        |
| Employee Engagement at Aetna Corp.   | 164        |
| Barriers to Strategic HR   | 165        |
| Outsourcing and Revamping HR   | 167        |

|   |  |
|---|--|
| Conclusion  | 167  |
| Strategic Reorganization of the HR Function at General Motors               | 168  |
| Strategic Reorganization of the HR Function at Wells Fargo Bank             | 168  |
| Critical Thinking 170 / Exercises 170 / Chapter References                  | 171  |
| <b>READING 4.1:</b>   | Distinctive Human Resources Are Firms' Core Competencies by Peter Cappelli and Anne Crocker-Hefter 172   |
| <b>READING 4.2:</b>   | Employee Engagement and Commitment by Robert J. Vance 182  |
| <b>READING 4.3:</b>   | Remodeling HR at Home Depot by Robert J. Grossman 199  |
| <br>  |  |
| <b>5 HUMAN RESOURCE PLANNING</b>  | <b>205</b>   |
| Human Resource Planning at Drexel Heritage Furnishings                      | 207  |
| Human Capital Management at the United States Postal Service                | 207  |
| Objectives of Human Resource Planning                                       | 208  |
| Types of Planning   | 209  |
| Succession Planning at K. Hovanian Enterprises                              | 212  |
| Succession Planning at Eli Lilly  | 214  |
| Succession Planning at Dole Food  | 216  |
| CEO Succession Planning at General Electric                                 | 216  |
| Mentoring   | 216  |
| Mentoring at Raytheon Vision Systems  | 218  |
| Conclusion 218 / Critical Thinking 219 / Exercises 219 / Chapter References | 220  |
| <b>READING 5.1:</b>   | Talent Management for the Twenty-First Century by Peter Cappelli 221   |
| <b>READING 5.2:</b>   | Diverse Succession Planning: Lessons From the Industry Leaders by Charles R. Greer and Meghna Virick 227   |
| <b>READING 5.3:</b>   | The Annual HR Strategic Planning Process: Design and Facilitation Lessons from Corning Incorporated Human Resources by Debbie Bennett, and Matthew Brush 238 |
| <br>  |  |
| <b>6 DESIGN AND REDESIGN OF WORK SYSTEMS</b>                                | <b>245</b>   |
| Design of Work Systems  | 246  |
| What Workers Do   | 246  |
| Job Rotation at General Electric  | 247  |
| What Workers Need   | 249  |
| How Jobs Interface with Other Jobs  | 250  |
| Teams at Dow Chemical   | 251  |
| Work at Best Buy  | 251  |
| Redesign of Work Systems  | 252  |
| Strategic Work Redesign in Action   | 252  |
| Outsourcing and Offshoring  | 252  |
| Outsourcing by Federal and State Governments                                | 253  |
| Homeshoring at JetBlue Airlines   | 256  |
| Mergers and Acquisitions  | 256  |
| The Human Side of Creating AOL Time Warner                                  | 256  |

## Contents

|   |  |
|---|--|
| Impact of Technology                                  | 257  |
| HR Issues and Challenges Related to Technology        | 259  |
| Telecommuting   | 259  |
| Telecommuting at the U.S. Patent and Trademark Office | 260  |
| Telecommuting at Merrill Lynch                        | 261  |
| Employee Surveillance and Monitoring                  | 261  |
| e-HR  | 262  |
| Social Networking                                     | 263  |
| Social Networking at Capital One                      | 264  |
| Understanding Change                                  | 264  |
| Managing Change                                       | 265  |
| Conclusion  | 265 / Critical Thinking 266 / Exercises 266 / Chapter References 267                             |
| <b>READING 6.1:</b>                                   | The Mismatched Worker: When People Don't Fit Their Jobs by Arne L. Kalleberg 268                 |
| <b>READING 6.2:</b>                                   | Using Outsourcing for Strategic Competitiveness in Small and Medium-Sized Firms by B. Elango 281 |
| <b>READING 6.3:</b>                                   | Leading Virtual Teams by Arvind Malhotra, Ann Majchrzak and Benson Rosen 288                     |
| <br>  |  |
| <b>7 EMPLOYMENT LAW</b>                               | <b>297</b>   |
| Employment-at-Will                                    | 298  |
| Scope of Laws   | 299  |
| Federal Antidiscrimination Laws                       | 300  |
| Equal Pay Act   | 300  |
| Civil Rights Act of 1964                              | 300  |
| Racial Discrimination at Coca-Cola                    | 301  |
| Age Discrimination in Employment Act of 1967          | 301  |
| Rehabilitation Act of 1973                            | 301  |
| Pregnancy Discrimination Act of 1978                  | 302  |
| Americans with Disabilities Act of 1990               | 302  |
| Employees with Disabilities at IBM                    | 302  |
| Civil Rights Act of 1991                              | 303  |
| Family and Medical Leave Act of 1992                  | 304  |
| Enforcement of Federal Laws Under the EEOC            | 305  |
| Executive Orders                                      | 308  |
| Affirmative Action                                    | 309  |
| Sexual Harassment                                     | 310  |
| What Sexual Harassment Is                             | 310  |
| Cleaning Up Sexual Harassment at Dial                 | 311  |
| Problems in Managing Sexual Harassment                | 311  |
| Sexual Harassment at W. R. Grace & Co.:               | 312  |
| Strategy for Managing Sexual Harassment               | 313  |
| Complications Abroad                                  | 314  |
| Trends in Employment Litigation                       | 314  |
| Conclusion  | 316 / Critical Thinking 316 / Exercises 317 / Chapter References 317                             |

- READING 7.1:** In Defense of Preference by Nathan Glazer 318
- READING 7.2:** The Dual Loyalty Dilemma for HR Managers Under Title VII Compliance by Jeffrey A. Mello 324
- READING 7.3:** The Management of Organizational Justice by Russell Cropanzano, David E. Bowen and Stephen W. Gilliland 330

## *part two*

# Implementation of Strategic Human Resource Management

---

- 8 STAFFING 343**
- Recruiting 344
- Temporary Versus Permanent Employees 344
  - Internal Versus External Recruiting 345
  - When and How Extensively to Recruit 347
  - Methods of Recruiting 347
  - E-cruiting at Air Products and Chemicals, Inc. 349
  - Staffing at St. Peter's Health Care 350
  - Outsourced Recruiting at Kellogg 351
  - College Recruiting via Internships at Microsoft 352
- Selection 352
- Interviewing 353
  - Testing 355
  - Call-Center Staffing at Capital One 357
  - Simulation Testing at Toyota 358
  - References 358
- International Assignments 359
- Documentation of Employment Eligibility 359
- New Trends in Staffing 360
- CRM at Whirlpool 361
- Conclusion 362 / Critical Thinking 363 / Exercises 363 / Chapter References 363
- READING 8.1:** Temporary Help Agencies and the Making of a New Employment Practice by Vicki Smith and Esther B. Neuwirth 365
- READING 8.2:** Assessment Instruments for the Global Workforce by Douglas Stuart 378
- READING 8.3:** Winning the Race for Talent in Emerging Markets by Douglas A. Ready, Linda A. Hill, and Jay A. Conger 387
- 9 TRAINING AND DEVELOPMENT 395**
- New Employee Training at Black and Decker 397
  - Boot Camp at MicroStrategy 397
- Benefits of Training and Development 398
- Planning and Strategizing Training 399
- Needs Assessment 399
  - Objectives 400

|   |  |
|---|--|
| Using Training to Facilitate a Merger at Hewlett-Packard  | 400  |
| Design and Delivery   | 401  |
| Computer-Based Training at QUALCOMM   | 402  |
| E-Learning at EMC Corporation   | 403  |
| Evaluation  | 403  |
| Organizational Development  | 404  |
| Knowledge Transfer and Retention at Hewlett-Packard   | 405  |
| Liverpool Virtual University  | 407  |
| Integrating Training with Performance Management Systems<br>and Compensation  | 407  |
| Strategizing Training and Performance Management at<br>Anheuser-Busch   | 408  |
| Conclusion  | 408 / Critical Thinking 409 / Exercises 409 / Chapter References 409 |
| <b>READING 9.1:</b> Learning versus Performance Goals: When Should<br>Each Be Used? by Gerard H. Seijts and Gary P. Latham                                    | 411  |
| <b>READING 9.2:</b> The Imperative of Developing Global Leaders by Dana Brower,<br>Terry Newell, and Peter Ronayne  | 418  |
| <b>READING 9.3:</b> How Groups Learn, Continuously by Manuel London and Valerie<br>I. Sessa   | 424  |
| <br>  |  |
| <b>10 PERFORMANCE MANAGEMENT AND FEEDBACK</b>   | <b>437</b>   |
| Use of the System   | 439  |
| Who Evaluates   | 441  |
| What to Evaluate  | 443  |
| Strategic Performance Management at Continental Airlines  | 444  |
| Competency-Based Performance and Development at Capital One   | 445  |
| How to Evaluate   | 446  |
| Measures of Evaluation  | 447  |
| Other Considerations  | 451  |
| Why Performance Management Systems Often Fail   | 452  |
| Addressing the Shortcomings of Performance Management Systems   | 453  |
| Conclusion  | 453 / Critical Thinking 454 / Exercises 454 / Chapter References 455 |
| <b>READING 10.1:</b> Multisource Feedback: Lessons Learned and Implications<br>for Practice by Leanne E. Atwater, Joan F. Brett, and Atira Cherise<br>Charles | 456  |
| <b>READING 10.2:</b> Managing the Life Cycle of Virtual Teams by Stacie A. Furst, Martha<br>Reeves, Benson Rosen, and Richard S. Blackburn                    | 472  |
| <b>READING 10.3:</b> Performance Leadership: 11 Better Practices That Can Ratchet Up<br>Performance by Robert D. Behn   | 485  |
| <br>  |  |
| <b>11 COMPENSATION</b>  | <b>491</b>   |
| Equity  | 493  |
| Internal Equity   | 494  |
| External Equity   | 498  |
| Individual Equity   | 499  |
| Joe Torre and the New York Yankees  | 500  |



|  |  |
|--|--|
| Team-Based Incentive Pay at Children's Hospital Boston   | 501  |
| Team-Based Pay at Phelps Dodge   | 502  |
| Legal Issues in Compensation   | 502  |
| Executive Compensation   | 504  |
| Conclusion   | 505 / Critical Thinking 506 / Exercises 506 / Chapter References 506 |
| <b>READING 11.1:</b> Key Trends of the Total Reward System in the 21st Century by Hai-Ming Chen and Yi-Hua Hsieh   | 508  |
| <b>READING 11.2:</b> Exposing Pay Secrecy by Adrienne Colella, Ramona L. Paetzold, Asghar Zardkoohi and Michael J. Wesson  | 513  |
| <b>READING 11.3:</b> Navigating Shareholder Influence: Compensation Plans and the Shareholder Approval Process by Pamela Brandes, Maria Goranova and Steven Hall             | 526  |
| <b>12 LABOR RELATIONS</b>  | <b>539</b>   |
| Why Employees Unionize   | 542  |
| The National Labor Relations Act   | 543  |
| Behavior during Organizing Campaigns   | 544  |
| Collective Bargaining  | 545  |
| Failure to Reach Agreement   | 546  |
| Unions Today   | 547  |
| Conclusion   | 548 / Critical Thinking 549 / Exercises 550 / Chapter References 550 |
| <b>READING 12.1:</b> The Future of Unions by Jennifer Schramm  | 551  |
| <b>READING 12.2:</b> A Big Chill on a "Big Hurt:" Genuine Interest in Employment of Salts in Assessing Protection Under the National Labor Relations Act by Jeffrey A. Mello | 558  |
| <b>READING 12.3:</b> Collective Bargaining: Keeping Score on a Great American Institution by Joel Cutcher-Gershenfeld, Stephen R. Sleigh and Frits K. Pil                    | 566  |
| <b>13 EMPLOYEE SEPARATION AND RETENTION MANAGEMENT</b>   | <b>581</b>   |
| Reductions in Force  | 582  |
| Layoffs at Kodak   | 584  |
| Strategic Downsizing at Charles Schwab   | 585  |
| Turnover   | 585  |
| Managing Retention at Sprint PCS   | 588  |
| Strategic Retention at United Airlines   | 588  |
| Retaining Talent at Intel  | 589  |
| Retirement   | 590  |
| Conclusion   | 592 / Critical Thinking 592 / Exercises 593 / Chapter References 593 |
| <b>READING 13.1:</b> Cost Reductions, Downsizing-related Layoffs, and HR Practices by Franco Gandolfi  | 595  |
| <b>READING 13.2:</b> Knowledge Management Among the Older Workforce by Floor Slagter   | 601  |
| <b>READING 13.3:</b> Managing Older Worker Exit and Re-entry Practices: A 'Revolving Door'? by Kate Shacklock, Liz Fulop and Linda Hort                                      | 611  |

**14 GLOBAL HUMAN RESOURCE MANAGEMENT 621**

Strategic Global HR at McDonald's 622

How Global HRM Differs from Domestic HRM 623

Assessing Culture 623

Strategic HR Issues in Global Assignments 626

Expatriate Selection at Kellogg Co. 628

Repatriation 630

Repatriation at Colgate-Palmolive 632

The European Union 632

Mexico and Canada 633

China 634

India 634

Retention at Prudential Process Management Services 635

Conclusion 636 / Critical Thinking 636 / Exercises 636 / Chapter References 637

**READING 14.1:** Selected Cross-Cultural Factors in Human Resource Management  
by Nancy R. Lockwood 638**READING 14.2:** In the Eye of the Beholder: Cross Cultural Lessons in Leadership  
from Project Globe by Mansour Javidan, Peter W. Dorfman, Mary  
Sully de Luque, and Robert J. House 647**READING 14.3:** A Local Perspective to Expatriate Success by Soo Min Toh and  
Angelo S. DeNisi 668

SUBJECT INDEX 681

NAME INDEX 686

COMPANY INDEX 688