

Human Resource Management: Gaining a Competitive Advantage



LEARNING OBJECTIVES

After reading this chapter, you should be able to:

- LO 1-1** Discuss the roles and activities of a company's human resource management function. *page 5*
- LO 1-2** Discuss the implications of the economy, the makeup of the labor force, and ethics for company sustainability. *page 17*
- LO 1-3** Discuss how human resource management affects a company's balanced scorecard. *page 29*
- LO 1-4** Discuss what companies should do to compete in the global marketplace. *page 45*
- LO 1-5** Identify how social networking, artificial intelligence, and robotics is influencing human resource management. *page 50*
- LO 1-6** Discuss human resource management practices that support high-performance work systems. *page 54*
- LO 1-7** Provide a brief description of human resource management practices. *page 56*



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ENTER THE WORLD OF BUSINESS



Publix: HR Practices Result in Happy Employees and Customers

Publix is a leader in the supermarket industry. As the largest employee-owned grocery store chain in the United States, Publix employs over 189,000 people in the Southeast, with over 1,100 store locations, eight distribution centers, and ten manufacturing facilities. Publix is a great place to work and to shop. Publix has been recognized as one of *Fortune* magazine's "100 Best Companies to Work For" for nineteen consecutive years and as one of *Fortune*'s "100 Best Workplaces for Millennials." The company has also received numerous awards for customer service and satisfaction. Publix's mission is to be the world's premier quality food retailer. Publix strives to do so through its commitment to providing customers with value; its intolerance of waste; its dedication to the dignity, value, and employment security of its associates; its devotion to stewardship for stockholders; and its involvement in the communities in which Publix stores operate.

Publix employees are extremely loyal. The average store manager has been with Publix for over twenty-five years, and over 24,000 associates have been with the company for more than thirty years. Its voluntary turnover rate is 5%, compared to the retail industry average of 65%. Other supermarket chains such as Whole Foods and Safeway have recently laid off employees, but Publix has never laid off an employee in its history. In fact, rather than closing or consolidating stores, as its competitors have done, Publix continues to grow through opening new stores.

What accounts for Publix's business success and makes it a great place to work? Its human resource management practices play an important role in ensuring that employees are satisfied and motivated at work and committed to the company. One management practice is to help all associates in

identifying and moving along their career path. Computers are located in offices and breakrooms of every store to make it easy for associates to access training courses. Associates receive training on standards for customer service, cleanliness, safety, teamwork, merchandising, waste intolerance, and a drug-free work environment. Publix has a generous tuition reimbursement program that supports employees who want to earn a college degree to expand their career opportunities. Supporting employees' development and career growth is the Publix policy to promote from within to fill all store manager positions and most department manager positions. Publix does this to ensure that managers are aware of company standards, best practices, and culture. Any current associate interesting in moving into a management role can register their interest by completing what is called an ROI. The ROI helps managers understand associates' career ambitions and match their skills to job openings. Typically, more than 60,000 associates complete ROIs each year, with more than 9,500 promoted into positions leading to management and 2,100 promoted into management positions. Associates who become managers must move to a different store than the one in which they worked. This practice ensures that management talent is spread across the company, and it also helps employees create new personal and professional networks.

Another management practice is to give associates the opportunity to become an owner of Publix. Any associate who stays with Publix for more than a year and works more than 1,000 hours is granted shares of company stock that are worth between 8% and 12% of their annual pay. Once in the plan, they can buy additional stock through a paycheck deduction. From 1974 through 2015, the stock has provided an average annual return of nearly 17%.

CONTINUED

Beyond holding stock, being a true owner requires an understanding of how you are doing and receiving rewards for your accomplishments. Publix makes sure its associates receive frequent feedback, and good performance is linked to raises. New employees have “check-ins” with their manager every thirty, sixty, and ninety days. After six months, associates qualify for their first raise and are eligible for future raises every six months. Full- and part-time associates receive an annual holiday bonus, which is uncommon in the retail industry. Full-time associates receive two weeks’ pay, and salaried associates

receive a full month’s pay. Finally, Publix supports its associates’ efforts to give back to the communities where they live and work. Publix and its associates contribute more than \$36 million a year and hours of volunteer work to charitable organizations such as the United Way, Special Olympics, March of Dimes, Children’s Miracle Network, and Food for All.

SOURCES: Based on www.corporatepublix.com, visited February 22, 2017; C. Tkaczyk, “My Five Days of Bleeding Green,” *Fortune*, March 15, 2016, pp. 166–76; “Publix Super Markets Inc.,” <http://reviews.greatplacetowork.com/publix-super-markets-inc>, accessed February 8, 2017.

Introduction

Competitiveness

A company’s ability to maintain and gain market share in its industry.

Publix illustrates the key role that human resource management plays in determining the survival, effectiveness, and competitiveness of U.S. businesses. **Competitiveness** refers to a company’s ability to maintain and gain market share in its industry. Publix’s human resource management practices are helping support the company’s business strategy and provide services the customer values. The value of a product or service is determined by its quality and how closely the product fits customer needs.

Competitiveness is related to company effectiveness, which is determined by whether the company satisfies the needs of stakeholders (groups affected by business practices). Important stakeholders include stockholders, who want a return on their investment; customers, who want a high-quality product or service; and employees, who desire interesting work and reasonable compensation for their services. The community, which wants the company to contribute to activities and projects and minimize pollution of the environment, is also an important stakeholder. Companies that do not meet stakeholders’ needs are unlikely to have a competitive advantage over other firms in their industry.

Human resource management (HRM)

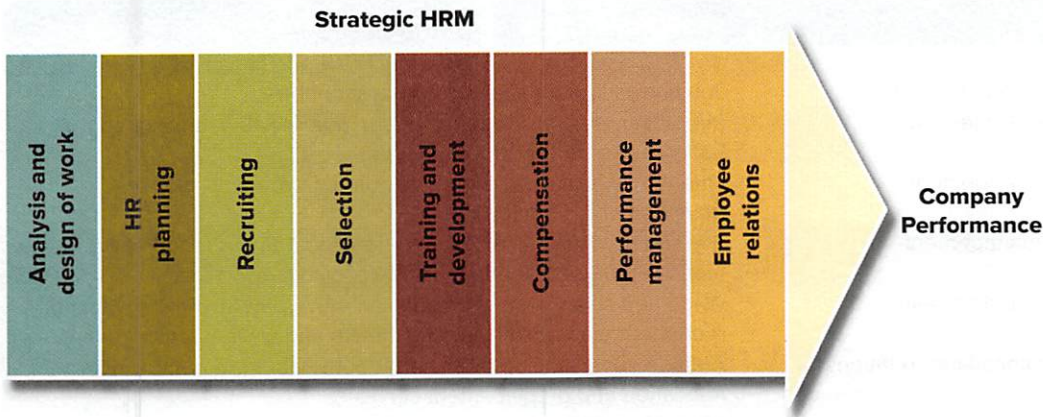
The policies, practices, and systems that influence employees’ behavior, attitudes, and performances.

Human resource management (HRM) refers to the policies, practices, and systems that influence employees’ behavior, attitudes, and performance. Many companies refer to HRM as involving “people practices.” Figure 1.1 emphasizes that there are several important HRM practices. The strategy underlying these practices needs to be considered to maximize their influence on company performance. As the figure shows, HRM practices include analyzing and designing work, determining human resource needs (HR planning), attracting potential employees (recruiting), choosing employees (selection), teaching employees how to perform their jobs and preparing them for the future (training and development), rewarding employees (compensation), evaluating their performance (performance management), and creating a positive work environment (employee relations). The HRM practices discussed in this chapter’s opening highlighted how effective HRM practices support business goals and objectives. That is, effective HRM practices are strategic! Effective HRM has been shown to enhance company performance by contributing to employee and customer satisfaction, innovation, productivity, and development of a favorable reputation in the firm’s community.¹ The potential role of HRM in company performance has been recognized only recently.

We begin by discussing the roles and skills that a human resource management department and/or managers need for any company to be competitive. The second section of

Figure 1.1

Human Resource Management Practices



the chapter identifies the competitive challenges that U.S. companies currently face, which influence their ability to meet the needs of shareholders, customers, employees, and other stakeholders. We discuss how these competitive challenges are influencing HRM. The chapter concludes by highlighting the HRM practices covered in this book and the ways they help companies compete.

What Responsibilities and Roles Do HR Departments Perform?

Only recently have companies looked at human resource management as a means to contribute to profitability, quality, and other business goals through enhancing and supporting business operations.

Table 1.1 shows the responsibilities of human resource departments. How much should companies budget for HR and how many HR professionals should a company employ? One study estimates that HR budgets on average are \$2,936 per employee.²

High-impact HR teams have one staff person per 64 employees, spend more than the average HR budget per employee (\$4,434 on average per employee), and employ a higher percentage of HR specialists than more compliance-driven and basic HR organizations.

High-impact HR functions are more integrated with the business, skilled at helping managers in attracting, building, engaging, and retaining talented employees. They can adapt quickly to business needs and workforce changes, identify and promote talent from within the company, and are continuously trying to identify what motivates employees to help them grow and develop. Also, high-impact HR functions ensure that they are continuously building the talent and skills of HR professionals necessary to help the company meet new competitive challenges. The greater cost-per-employee of high-impact HR functions is offset by the greater savings resulting from reduced turnover and increased levels of employee engagement.

The HR department is solely responsible for outplacement, labor law compliance, record keeping, testing, unemployment compensation, and some aspects of benefits administration. The HR department is most likely to collaborate with other company functions on

LO 1-1

Discuss the roles and activities of a company's human resource management function.

Table 1.1

Responsibilities of HR Departments

FUNCTION	RESPONSIBILITIES
Analysis and design of work	Job analysis, work analysis, job descriptions
Recruitment and selection	Recruiting, posting job descriptions, interviewing, testing, coordinating use of temporary employees
Training and development	Orientation, skills training, development programs, career development
Performance management	Performance measures, preparation and administration of performance appraisals, feedback and coaching, discipline
Compensation and benefits	Wage and salary administration, incentive pay, insurance, vacation, retirement plans, profit sharing, health and wellness, stock plans
Employee relations/labor relations	Attitude surveys, employee handbooks, labor law compliance, relocation and outplacement services
Personnel policies	Policy creation, policy communications
Employee data and information systems	Record keeping, HR information systems, workforce analytics, social media, Intranet and Internet access
Legal compliance	Policies to ensure lawful behavior; safety inspections, accessibility accommodations, privacy policies, ethics
Support for business strategy	Human resource planning and forecasting, talent management, change management, organization development

SOURCES: Based on Bureau of Labor Statistics, U.S. Department of Labor, "Human Resources Specialists," *Occupational Outlook Handbook, 2016–17 Edition*, <https://www.bls.gov/ooh/business-and-financial/human-resources-specialists.htm>, accessed February 9, 2017; SHRM-BNA Survey No. 66, "Policy and Practice Forum: Human Resource Activities, Budgets, and Staffs, 2000–2001," *Bulletin to Management*, Bureau of National Affairs Policy and Practice Series, June 28, 2001 (Washington, DC: Bureau of National Affairs).

employment interviewing, performance management and discipline, and efforts to improve quality and productivity. Large companies are more likely than small ones to employ HR specialists, with benefits specialists being the most prevalent. Other common specializations include recruitment, compensation, and training and development.³

Many different roles and responsibilities can be performed by the HR department, depending on the size of the company, the characteristics of the workforce, the industry, and the value system of company management. The HR department may take full responsibility for human resource activities in some companies, whereas in others it may share the roles and responsibilities with managers of other departments such as finance, operations, or information technology. In some companies the HR department advises top-level management; in others the HR department may make decisions regarding staffing, training, and compensation after top managers have decided relevant business issues.

One way to think about the roles and responsibilities of HR departments is to consider HR as a business within the company with three product lines. Figure 1.2 shows the three product lines of HR. The first product line, administrative services and transactions, is the traditional product that HR has historically provided. The newer HR products—business partner services and the strategic partner role—are the HR functions that top managers want HR to deliver.

To ensure that HR is business focused, Walgreens's HR professionals are paired with functional leaders.⁴ The HR field organization works to develop strategic talent plans for each business and helps implement important initiatives such as succession planning, change management, organizational design, and culture and leadership development.

Figure 1.2

HR as a Business with Three Product Lines



SOURCE: Adapted from Figure 1, "HR Product Lines," in E. E. Lawler, "From Human Resource Management to Organizational Effectiveness," *Human Resource Management* 44 (2005), pp. 165–69.

The HR director at TAMKO Building Products Inc. helped align the company's HR function to business needs.⁵ She noticed that inexperienced HR professionals were spending too much time on transactional duties such as payroll and benefits administration. She wanted them to focus on supplying managers with skilled, well-trained employees and meaningful data. She revised their training to ensure that they understood the industry and the skills that the company needed for continued success. She urged her staff to be proactive (rather than reactive) about offering HR solutions to help managers avoid or solve workplace problems. The team responded by identifying and implementing a new time-and-attendance tracking system, a virtual onboarding and orientation process, and a leadership development program.

Strategic Role of the HRM Function

The amount of time that the human resource management function devotes to administrative tasks is decreasing, and its roles as a strategic business partner, change agent, and employee advocate are increasing.⁶ HR managers face two important challenges: shifting their focus from current operations to strategies for the future and preparing non-HR managers to develop and implement HR practices.⁷ To ensure that HRM contributes to the company's competitive advantage, many HR departments are organized on the basis of a shared service model. The shared service model can help control costs and improve the business relevance and timeliness of HR practices. A **shared service model** is a way to organize the HR function that includes centers of expertise or excellence, service centers, and business partners.⁸ Centers of expertise or excellence include HR specialists in areas such as staffing or training who provide their services companywide. Service centers are a central place for administrative and transactional tasks such as enrolling in training programs or changing benefits that employees and managers can access online. Business partners are HR staff members who work with business-unit managers on strategic issues such as creating new compensation plans or development programs for preparing high-level managers. Walgreens provides employee relations, recruiting, and HR data services through a shared services team.⁹ Walgreens introduced a website,

Shared service model

A way to organize the HR function that includes centers of expertise or excellence, service centers, and business partners.

myHR, that employees can access to get answers to their questions about benefits, HR policies, and talent management. It provides confidential personalized information that is easy for employees to access. We will discuss the shared service model in more detail in Chapter 16.

Self-service

Giving employees online access to human resources information.

The role of HRM in administration is decreasing as technology is used for many administrative purposes, such as managing employee records and allowing employees to get information about and enroll in training, benefits, and other programs. The availability of the Internet has decreased the HRM role in maintaining records and providing self-service to employees.¹⁰ **Self-service** refers to giving employees online access to, or apps that provide, information about HR issues such as training, benefits, compensation, and contracts; enrolling online in programs and services; and completing online attitude surveys. The shift to self-service means that HR can focus more time on consulting with managers on important employee issues and less time on day-to-day transactional tasks. For example, U.S. Bancorp implemented the PeopleSoft 9.1 human capital management system, which allows managers to review or approve basic personnel actions such as terminations, relocations, and salary changes.¹¹ As managers became more comfortable with the system, they were given control over transactions such as approving bonuses, reviewing résumés, and evaluating job candidates. Managers were initially resistant to take on duties that previously were handled by HR staff, but they accepted the change because it enabled them to execute transactions more quickly and gave them more access to workforce data they could use for decision making. HR professionals now have more time to work with managers on ensuring the right employee development plans are in place, evaluating workforce needs due to retirements or growth, and ensuring their organizational structures are efficient and effective.

Outsourcing

An organization's use of an outside organization for a broad set of services.

Many companies are also contracting with HR service providers to conduct important but administrative HR functions such as payroll processing, as well as to provide expertise in strategically important practice areas such as recruiting. **Outsourcing** refers to the practice of having another company (a vendor, third party, or consultant) provide services. The most commonly outsourced activities include those related to benefits administration (e.g., flexible spending accounts, health plan eligibility status), relocation, and payroll. The major reasons that company executives choose to outsource HR practices include cost savings, increased ability to recruit and manage talent, improved HR service quality, and protection of the company from potential lawsuits by standardizing processes such as selection and recruitment.¹² ADP, Hewitt, IBM, and Accenture are examples of leading outsource providers.

Goodyear Tire and Rubber Company reenergized its recruitment and hiring practices through outsourcing recruiting practices.¹³ The recruiting outsource provider worked with the company to understand its culture, its history, and its employees' recruitment experiences. The recruiting outsourcing service provider was able to help Goodyear streamline the recruiting process by providing hiring managers with online access to create new job requisitions, providing interview feedback, scheduling interviews, generating customized job offer letters, and gaining a real-time perspective on job candidates' progress in the recruitment process. Goodyear recognized several benefits from outsourcing recruitment, including improving the timeliness of job offers, increasing the diversity and quality of new hires, and reducing turnover.

Traditionally, the HRM department (also known as "personnel" or "employee relations") was primarily an administrative expert and employee advocate. The department took care of employee problems, made sure employees were paid correctly, administered labor contracts, and avoided legal problems. The HRM department ensured that employee-related issues did not interfere with the manufacturing or sales of products or services.

Human resource management was primarily reactive; that is, HR issues were a concern only if they directly affected the business. That still remains the case in many companies that have yet to recognize the competitive value of HRM, or among HR professionals who lack the competencies and skills or understanding needed to anticipate problems and contribute to the business strategy. However, other companies believe that HRM is important for business success and therefore have expanded the role of HRM as a change agent and strategic partner.

A discussion group of company HR directors and academic thought-leaders reported that increasingly HR professionals are expected to lead efforts focused on talent management and performance management.¹⁴ Also, HR professionals should take the lead in helping companies attract, develop, and retain talent in order to create the global workforces that companies need to be successful. HR professionals have to be able to use and analyze data to make a business case for ideas and problem solutions. In many companies, top HR managers report directly to the CEO, president, or board of directors to answer questions about how people strategies drive value for the company. For example, at Marsh, an insurance brokerage and risk management company, the chief human resources officer (CHRO) is a true strategic partner with the CEO.¹⁵ The CHRO is included in meetings with the company's CEO and chief financial officer (CFO). In these meetings the company's financial performance and talent reviews are discussed. The group works to identify how people issues affect the business. For example, the group recently discussed and implemented a new compensation plan for Marsh's sales force. The CHRO contributed to the discussion (and the business) by considering whether the sales compensation plan was motivating the right behaviors and positively influencing the financial results of the business.

Consider how HRM has supported the business at Juniper Networks and Abbott.¹⁶ Juniper Networks, a networking technology company that had become successful by introducing a new router, was a major innovator in the computer network industry. But Juniper found that, despite its success, it needed to reinvent its business strategy and grow. To help reinvent its business strategy and structure, Juniper's HR team had conversations with 150 senior company leaders, including the company chairman, and 100 other managers located around the world. During these conversations, the HR team asked the leader or manager questions about important environmental challenges facing Juniper, how the challenges affected the leader's or manager's team, what most excited them about Juniper's business strategy and execution of that strategy, and key business concerns. The conversations helped identify that Juniper had too many business priorities, leaders tended to avoid conflict, and work was overly complex, making it difficult to provide customers with the best solutions. As a result of the conversations, product lines have been streamlined and the company adopted a simpler and more integrated business structure. For example, across the company, any decision can be made by six people.

Abbott spun off a new company, AbbVie, which focused on pharmaceutical research and development, while keeping consumer-oriented health care products such as Ensure nutrition shakes. Spin-offs are new companies that are created from the parent company with a specialized focus on one aspect of the business market. They are expected to be worth more as independent businesses than as part of a larger business. Human resource issues such as retaining talent, making sure employees are enthusiastic and motivated, and making sure employees are in the right roles in the new company are important for the success of spin-offs. The CHRO for AbbVie, who worked for Abbott, was faced with the challenging and complex assignment of helping to get the new company established. Specifically, he worked with other executives to create the new organizational structure, logo, and branding campaign. Also, he worked on people issues such as making sure the

reasons for the spin-off were communicated, to reduce employees' fear and anxiety; deciding which employees would join the new company and determining their job assignments; and developing a new compensation and benefits plan. The success of his efforts were one of the reasons the combined value of Abbott and AbbVie has nearly doubled since 2013.

The structure and responsibilities of HR departments are likely to continue to change in the future to ensure that they remain strategic. Some companies, such as Airbnb, are beginning to recognize that the employee experience is critical for keeping employees happy and committed to the company. Happier employees are more likely to work hard to satisfy customers, which helps the company grow and prosper.¹⁷ To maximize the employee experience, Airbnb combined three separate HR groups (talent, recruiting, and "Ground Control") into one group. Airbnb's top HR officer's title is chief employee experience officer (CEEEO). At Airbnb, human resources involves marketing, communications, real estate, and social responsibility, in addition to traditional HR functions. The CEEEO's responsibilities go beyond the traditional HR functions such as talent management, and compensation to include workplace design and facilities, food, global citizenship, and the network of community managers who interact daily with Airbnb employees. For example, Airbnb's airy, open workplace includes small lockers for employees to charge their devices, which provides more room for a conference room, couches, nap spaces, communal tables, and small spaces for employees to have conversations with their peers. Numerous cafes are available where employees can eat or collaborate on projects. Also, human resources helps employees give back to the communities where Airbnb operates by encouraging four hours a month of individual volunteering as well as by participating in larger events such as painting a homeless shelter or cooking meals for hospital patients' families.

Table 1.2 provides several questions that managers can use to determine if HRM is playing a strategic role in the business. If these questions have not been considered, it is highly unlikely that (1) the company is prepared to deal with competitive challenges or (2) HRM is being used strategically to help a company gain a competitive advantage. The bottom line for evaluating the relationship between HRM and the business strategy is to consider this question: "What is HRM doing to ensure that the right people with the right skills are doing the right things in the jobs that are important for the execution of the business strategy?"¹⁸ We will discuss strategic HRM in more detail in Chapter 2.

Some companies that want managers to have more accountability for employees, believe that traditional HR departments are unnecessary because they inhibit innovation by creating unnecessary and inefficient policies and procedures.¹⁹ In these companies,

Table 1.2

Questions to Ask: Is HRM Playing a Strategic Role in the Business?

1. What is HRM doing to provide value-added services to internal clients?
2. Do the actions of HRM support and align with business priorities?
3. How are you measuring the effectiveness of HRM?
4. How can we reinvest in employees?
5. What HRM strategy will we use to get the business from point A to point B?
6. From an HRM perspective, what should we be doing to improve our marketplace position?
7. What's the best change we can make to prepare for the future?
8. Do we react to business problems or anticipate them in advance?

SOURCES: Based on A. Halcrow, "Survey Shows HR in Transition," *Workforce*, June 1988, p. 74; P. Wright, *Human Resource Strategy: Adapting to the Age of Globalization* (Alexandria, VA: Society for Human Resource Management Foundation, 2008); J. Mundy, "Be a Strategic Performance Consultant," *HR Magazine*, March 2013, pp. 44–46.

important payroll, benefits, and other HR processes are automated or outsourced. For example, managers at Ruppert Landscape, which has 900 employees working in different markets across the United States, perform HR responsibilities such as recruiting employees and explaining the company's retirement plan. Its managers spend about 5% of their time on human resources. The CEO feels that local managers are in a better position to understand and solve employee problems than is an HR professional located in the company's Maryland headquarters. However, there are many advantages to having HR professionals and an HR department. Managers often lack the specialized knowledge necessary to understand employment laws and how to identify potential employees, determine skills and salaries for positions, and develop current employees. HR professionals can create systems to avoid legal liability, counsel employees, and coach managers on how to identify, retain, and develop talent.

Consider the role of HRM at Tesla Motors, an automotive company with all of the characteristics of a high-tech company.²⁰ Tesla builds cars, manufactures electric powertrains for other car companies, operates car-charging stations around the world, and sells its cars directly to customers. The luxurious Model S has won numerous awards, and Tesla recently introduced Model 3, a more affordable sedan, and Model X, a sport-utility vehicle. The role of HRM at Tesla is to support the business by finding and helping to retain the most talented employees and ensure they understand and believe in the company's fast-paced culture, which requires long workdays and constant change. They do this in several different ways. The HR team seeks talented employees who have a positive, self-starting attitude and have tried to improve processes in the areas in which they have worked. They encourage employee referrals because they have found that their best employees attract other high performers who fit the company's culture. To find talent to fill a robotics team, the HR staffing team looked beyond the traditional sources, such as other automakers, and instead focused on robotics competitions at colleges and industries, such as biotechnology, that employ robotic-programming specialists. Human resources worked with employees from legal, security, and environmental health and safety departments and a small group of employees from company stores and the factory to develop an employee handbook. The handbook, known as the "anti-handbook handbook," captures in just four pages written in a conversational style what Tesla stands for and what it is like to work there.

For example, the employee attendance policy emphasizes that employees should be the kind of person their work team can rely on. Emphasis is placed on employees being at work when they are supposed to be, because the team can't get things done if employees are absent. Human resources supports Tesla's emphasis on open communications through the "Answer Bar" at its Fremont, California, factory. At the Answer Bar employees can walk up to HR staffers and ask questions they have about benefits or the company. Tesla encourages employees to use the Answer Bar to provide personal feedback. This allows Tesla to quickly make changes when new employee programs are introduced. Human resources has developed training that meets company and employee needs for *just-in-time learning*, that is, learning that is meaningful, is short, holds employees' attention, and is provided when needed. For example, factory employees can use their smartphones next to their workstations to scan codes that allow them to view short tutorial videos on job tasks.

Tesla regularly surveys employees to get a feel for employees' levels of enthusiasm. What separates Tesla's use of the surveys from many other companies is that it quickly shares survey results with employees, provides them with access to the data, and requires managers to hold action planning sessions with employees and identify one change the

team will make based on the discussion of results. Tesla also has shown that more positive survey results translate into business results: less employee absenteeism, less turnover, and fewer safety issues and increased profitability and productivity.

HRM may be the most important lever for companies to gain a competitive advantage over both domestic and foreign competitors. We believe this is because HRM practices are directly related to companies' success in meeting competitive challenges. These challenges and their implications for HRM are discussed later in the chapter.

DEMONSTRATING THE STRATEGIC VALUE OF HRM: HR ANALYTICS AND EVIDENCE-BASED HR

For HRM to contribute to business goals, there is increasing recognition that data must be used to answer questions such as "Which practices are effective?" and "Which practices are cost effective?" and to project the outcomes of changes in practices on employees' attitudes, behavior, and company profits and costs. This helps show that time and money invested in HR programs are worthwhile and that human resources is as important to the business as finance, marketing, and accounting. **Evidence-based HR** refers to the demonstration that HR practices have a positive influence on the company's bottom line or key stakeholders (employees, customers, community, shareholders). Evidence-based HR requires the use of HR or workforce analytics. **HR or workforce analytics** refers to the practice of using quantitative methods and scientific methods to analyze big data.

Big data refers to information merged from HR databases, corporate financial statements, employee surveys, and other data sources to make evidence-based HR decisions and show that HR practices influence the organization's bottom line, including profits and costs.²¹ Several companies have used workforce analytics to analyze big data to help improve HR practices.²² Google was one of the first companies to use analytics to improve its workforce. Google created algorithms or equations to identify which job candidates were most likely to succeed. It also produced algorithms to review applications that were rejected. This helped Google hire engineers who its normal application screening process would have missed.

Mattress Firm evaluates job applicants based on their online assessments of 39 behavioral, cognitive, and cultural traits. The job applicants' characteristics are compared against a benchmark of strong-performing employees. The analytics are then used to hire new salespeople. Based on two years of hiring and sales data, the company found that the salespeople hired were 80% less likely to leave and sold 11% more products than others who were hired but not recommended by the analytics.

Credit Suisse has a department of HR analysts who specialize in using workforce data to help reduce turnover. This can provide substantial cost savings to the company. For example, if the turnover rate for the company's 46,600 employees could be reduced by 1% per year, it could save \$100 million! Each year, eight different pieces of data, including employees' performance ratings, their bosses' performance ratings, their yearly changes in compensation, and the length of time they have been in a job without a promotion, are used to identify who is likely to leave. The analysis provides reports for managers showing the turnover risk of their employees, which they can use to decide how to prevent them from leaving. For example, managers can use this information to recommend a raise, a promotion, or access to development training or opportunities for high-performing employees they don't want to lose.

Because evidence-based HR and analytics are important for showing the value of HR practices and how they contribute to business strategy and goals, throughout each chapter of the book we provide examples of companies' use of workforce analytics to make evidenced-based HR decisions or to evaluate HR practices.

Evidence-based HR

Demonstrating that HR practices have a positive influence on the company's bottom line or key stakeholders (employees, customers, community, shareholders).

HR or workforce analytics

The practice of using data from HR databases and other data sources to make evidence-based HR decisions.

Big data

Information merged from a variety of sources, including HR databases, corporate financial statements, and employee surveys, to make evidence-based HR decisions and show that HR practices can influence the organization's bottom line.

POSITION	SALARY
Top HR executive	\$240,206
Global HR manager	121,095
Management development manager	117,114
Health and safety manager	101,872
Employee benefits manager	95,244
HR manager	95,267
Mid-level labor relations specialist	83,974
Campus recruiter	64,725
Entry-level HRIS specialist	54,233
HR generalist	51,180
Entry-level compensation analyst	56,267
Entry-level employee training specialist	48,286

Table 1.3

Median Salaries for HRM Positions

SOURCE: Based on data from Salary Wizard, <http://swz.salary.com>, accessed February 23, 2017.

THE HRM PROFESSION: POSITIONS AND JOBS

There are many different types of jobs in the HRM profession. Table 1.3 shows various HRM positions and their salaries. A survey conducted by the Society for Human Resource Management (SHRM) to better understand what HR professionals do found that the primary activities involve performing the HR generalist role (providing a wide range of HR services); fewer HR professionals are involved in the HR function at the executive level of the company, training and development, HR consulting, and administrative activities.²³ Projections suggest that overall employment in HR-related positions is expected to grow by 9% between 2014 and 2024, faster than the average for all occupations in the United States.²⁴

Salaries for HR professionals vary according to position, level of experience, training, location, and firm size. As you can see from Table 1.3, some positions involve work in specialized areas of HRM, like recruiting, training, or labor and industrial relations. HR generalists usually make between \$41,000 and \$65,500 depending on their experience and education level. HR generalists perform a wide range of activities including recruiting, selection, training, labor relations, and benefits administration. HR specialists work in one specific functional area such as training or compensation. Although HR generalists tend to be found in smaller companies, many mid- to large-size companies employ HR generalists at the plant or business levels and HR specialists at the corporate, product, or regional levels. Most HR professionals chose human resources as a career because they found it appealing as a career, they wanted to work with people, or they were asked by chance to perform HR tasks and responsibilities.²⁵

EDUCATION AND EXPERIENCE

The HR profession will likely continue to be in transition in the near future.²⁶ A large number of HR professionals who will be retiring soon have held mainly administrative roles with little previous formal education in HRM. As is currently the case for many HR professionals, the new generation of HR professionals will likely have a four-year college degree and many will have completed a graduate HR degree. Business is typically the field of study (human resources or industrial relations), although some HR professionals have degrees in the social sciences (economics or psychology), the humanities, or law.

Those who have completed graduate work have master's degrees in HRM, business management, industrial organizational psychology, or a similar field. Human resource professionals can be expected to have both strategic and tactical roles. For example, a senior HR role will likely involve developing and supporting the company culture, employee recruitment, retention and engagement, succession planning, and designing the company's overall HR strategy. Junior HR roles will handle all of the transactions related to paperwork, benefits and payroll administration, answering employee questions, and data management.

Professional certification demonstrating that an individual has gained foundational knowledge in human resources is available through the Human Resources Certification Institute (HRCI) or SHRM.²⁷ Only 12% of U.S. HR professionals hold certification. One reason for the low level of certification is that many companies value education and/or experience more than certification when hiring for HR positions. As a result, professional certification in HRM is less common than membership in professional associations. A well-rounded educational background will likely serve a person well in an HRM position. As one HR professional noted, "One of the biggest misconceptions is that it is all warm and fuzzy communications with the workers. Or that it is creative and involved in making a more congenial atmosphere for people at work. Actually it is both of those some of the time, but most of the time it is a big mountain of paperwork which calls on a myriad of skills besides the 'people' type. It is law, accounting, philosophy, and logic as well as psychology, spirituality, tolerance, and humility."²⁸

COMPETENCIES AND BEHAVIORS

Many experts acknowledge that top-level HR professionals are generalists who have expertise in benefits, compensation, and labor relations and focus on important issues such as employee engagement and managing company culture.²⁹ However, they lack business acumen, the expertise in relating human resources to real-world business needs. That is, they don't know how key decisions are made and are unable to determine why employees or parts of the company fail to meet performance goals. This is congruent with the belief of companies' top HR leaders that developing the skills of professionals working in human resources is an urgent need.³⁰ Less than 10% of HR leaders believe that their functional teams have the skills needed to help companies meet their current competitive challenges. Consider the requirements that Netflix wanted when it was looking for a new HR director.³¹ Netflix wanted someone who puts business first, customers second, and talent third. It did not want a change agent, organizational development practitioner, a SHRM certificate, or a people person. HR professionals should consider themselves as business people, not morale boosters. They need to be able to consider key questions, such as "What's good for the company?" "How do we communicate that to employees?" and "How can we help every employee understand what is meant by high performance?"

HR professionals need to have the nine competencies shown in Figure 1.3. These are the most recent competencies developed by SHRM, based on a literature review, input from over 1,200 HR professionals, and a survey of over 32,000 respondents.³² The full version of the competency model, which can be found on the SHRM website (www.shrm.org), provides more detailed information on the competencies, behaviors, and standards for proficiency for HR professionals at entry, mid, senior, and executive career stages. Demonstrating these competencies can help HR professionals show managers that they are capable of helping the HR function create value, contribute to the business strategy, and shape the company culture. They also help the HR department

Figure 1.3

Competencies and Example Behaviors for HR Professionals



SOURCE: Based on SHRM Competency Model, Society for Human Resource Management, 2012, www.shrm.org, accessed February 9, 2017.

effectively and efficiently provide the three HR products discussed earlier and shown in Figure 1.2. These competencies and behaviors show that although the level of expertise required may vary by career level, all HR professionals need to have a working knowledge of strategic business management, HR planning, development, compensation and benefits, risk management (safety, quality, etc.), labor relations, HR technology, evidence-based decision making, and global human resources. HR professionals need to be able to interact and coach employees and managers, yet engage in ethical practice through maintaining confidentiality and acting with integrity. Providing support for the usefulness and validity of the SHRM competency model, research shows that HR professionals who have a higher level of proficiency on the SHRM competencies do perform better in their jobs.³³

Many top-level managers and HR professionals believe that the best way to develop employees who have the competencies needed to be effective in an HR role is to train them or insure they have on-the-job experiences that help them understand the business and the role of HRM in it. For example, an HR leader at Rivermark Community Credit Union developed skills in reading and interpreting financial data by spending time with the CFO.³⁴ This has allowed her to contribute more in senior-level leader meetings.

Both Garden City Group and General Motors use job experiences for insuring that current and aspiring HR professionals have the competencies they need to meet both employees and managers needs.³⁵ Also, these opportunities help build relationships both in the HR department and across locations. Garden City rotates HR professionals through each of its office locations and encourages its staff to shadow other HR professionals working in different functional areas. To develop future HR leaders General Motors has two specialized HR career paths: a manufacturing path and a corporate path. In the manufacturing path, employees who already work for General Motors but want to work in HR spend a year each working in labor relations, as a business partner, and in a production group. Similarly, the corporate path offered for HR interns include a labor relations assignment as well as a year assignment in global compensation and benefits and either talent acquisition or talent management. Participants in both career paths are matched with mentors who can provide personal insight and advice. Also, participants in both tracks have opportunities to attend training, presentations from speakers outside the company, and forums with senior leaders.

The primary professional organization for HRM is the Society for Human Resource Management. SHRM is the world's largest HRM association, with more than 285,000 professional and student members throughout the world. If you are interested in human resources, you should join SHRM. The organization provides education and information services, conferences and seminars, government and media representation, certification, and online services and publications (such as *HR Magazine*). You can visit SHRM's website at www.shrm.org.

Sustainability

The ability of a company to make a profit without sacrificing the resources of its employees, the community, or the environment. Based on an approach to organizational decision making that considers the long-term impact of strategies on stakeholders (e.g., employees, shareholders, suppliers, community).

Stakeholders

The various interest groups who have relationships with and, consequently, whose interests are tied to the organization (e.g., employees, suppliers, customers, shareholders, community).

Competitive Challenges Influencing Human Resource Management

Three competitive challenges that companies now face will increase the importance of human resource management practices: the challenge of sustainability, the global challenge, and the technology challenge. These challenges are shown in Figure 1.4.

As you will see in the following discussion, these competitive challenges are directly linked to the HR challenges that companies are facing, including developing, attracting, and retaining talented employees; finding employees with the necessary skills; and breaking down cultural barriers to create a global company.³⁶

COMPETING THROUGH SUSTAINABILITY

Traditionally, sustainability has been viewed as one aspect of corporate social responsibility related to the impact of the business on the environment.³⁷ However, we take a broader view of sustainability. **Sustainability** refers to the company's ability to meet its needs without sacrificing the ability of future generations to meet their needs.³⁸ Organizations pursuing a sustainable strategy pursue the "triple bottom line": economic, social, and environmental benefits. Company success is based on how well the company meets the needs of its stakeholders. **Stakeholders** refers to shareholders, the community, customers, employees, and all of the other parties that have an interest in seeing that the

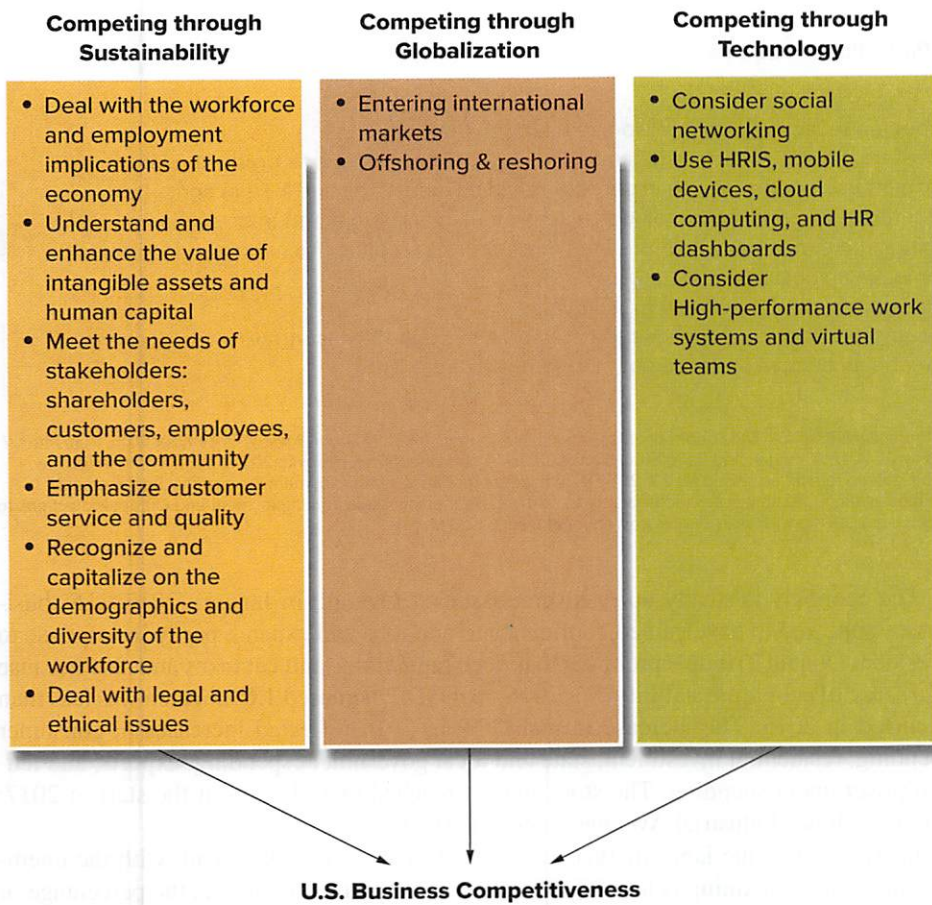


Figure 1.4
Competitive
Challenges
Influencing U.S.
Companies

company succeeds. Sustainability includes the ability to deal with economic and social changes, practice environmental responsibility, engage in responsible and ethical business practices, provide high-quality products and services, and put in place methods to determine if the company is meeting stakeholders' needs; that is, HR systems that create the skills, motivation, values, and culture that help the company achieve its triple bottom line and ensure long-term benefits for the organization's stakeholders.

LO 1-2

Discuss the implications of the economy, the makeup of the labor force, and ethics for company sustainability

Deal with the Workforce and Employment Implications of the Economy

The economy has important implications for HRM. Some key statistics about the economy and the workforce are shown in Table 1.4 and we will discuss their implications in greater detail below. These include the structure of the economy, aging of the workforce, and growth in professional and service occupations. Growth in professional and service occupations means that skill demands for jobs have changed, with knowledge becoming more valuable. Not only have skill demands changed, but remaining competitive in a global economy requires demanding work hours and changes in traditional employment patterns. The creation of new jobs, aging employees leaving the workforce, slow population growth, and a lack of employees who have the skills needed to perform the high-demand jobs means that companies need to give more attention to HR practices that influence their ability to attract and retain employees.

Table 1.4**Highlights of Employment Projections to 2024**

- The labor force is expected to increase by 8 million, reaching 164 million.
- Today, 93% of U.S. jobs are nonagriculture wage and salary jobs: 12% are in goods-producing industries (mining, construction, manufacturing); 81% are in service-providing industries; and 1.3% in agriculture, forestry, fishing, and hunting. The distribution of jobs across industries is projected to be similar in 2024.
- 46.5 million job openings are expected, with more than three-fourths resulting from the need to replace workers who retire or leave an occupation.
- The median age of the workforce will increase to 42.4 years.
- Health care support and practitioner occupations are projected to be the fastest-growing occupational groups and contribute the most new jobs (one out of four new jobs).

SOURCE: M. Toossi, "Labor Force Projections to 2024: The Labor Force Is Growing, but Slowly," *Monthly Labor Review*, December 2015, from <https://www.bls.gov/opub/mlr/>, accessed May 3, 2017; A. Hogan and B. Roberts, "Occupational Employment Projections to 2024," *Monthly Labor Review*, December 2015, from <https://www.bls.gov/opub/mlr/>, accessed May 3, 2017; Bureau of Labor Statistics, "Employment Projections: Replacement Needs," from https://www.bls.gov/emp/ep_table_110.htm, accessed February 10, 2017; R. Henderson, "Industry Employment and Output Projections to 2024," *Monthly Labor Review*, December 2015, from <https://www.bls.gov/opub/mlr/>, accessed May 3, 2017.

The economy is steady but has some issues.³⁹ Overall, in January 2017, U.S. businesses appeared to have gained confidence to add jobs and expand, partly in response to President Donald Trump's promises to reduce regulations and cut taxes and also because of a sense of economic stability. For 2016, real GDP increased 1.6%, which was less than occurred in 2015. The increase in real GDP in 2016 reflected increases in consumer spending, residential investment, state and local government spending, exports, and federal government spending. The stock market reached record highs at the start of 2017: The Dow Jones Industrial Average exceeded 20,000.

In April 2017, the labor market was at or close to full employment, with the unemployment rate remaining below 5%. The labor force participation rate, the percentage of those with or actively seeking jobs, remained near a four-year low of 62.9%. The economy added almost 2.2 million jobs in 2016, but this represents the smallest gain since 2012. Further, many of these jobs were low-paying jobs in the retail, hospitality, restaurant, and health care sectors. If the Federal Reserve Bank follows through on its planned three interest rate increases in 2017, this could likely slow hiring.

For some workers, wages began to grow as unemployment dropped. For example, hourly wages rose 4.4% in 2016 for restaurant workers and bartenders in the leisure and hospitality sector. Skilled job candidates in high-demand fields such as information technology received competing offers with increasing pay. However, hourly wage growth for production and nonsupervisory employees and education and health care workers was smaller. Regardless of wage growth, because consumer-price inflation was low, workers lost less of what they earned due to the rising costs of goods and services.

In the business cycle that followed the recession of 2009, labor productivity growth was at its lowest point since the early 1980s. Labor productivity is based on a comparison of the amount of goods and services produced with the number of labor hours used to produce them. Labor productivity growth is important because if the economy is able to produce more goods and services for the same amount of work, this leads to improvements in employees' wages and increases in leisure time for workers and profits and capital gains for business, all of which contribute to improvements in our standards of living.

The United States had a trade deficit of over \$502 billion in 2016, the largest in four years.⁴⁰ The deficit means that the United States imports more products than it exports to the rest of the world. The value of imports and exports with Canada and Mexico

covered by the North American Free Trade Agreement (NAFTA) are somewhat comparable. But the value of U.S. imports from China and other fast-developing Asian countries such as Vietnam and Malaysia is considerable more than the value of goods exported. President Trump has said that stimulating economic growth and supporting U.S. jobs is critical, especially for helping working-class Americans. One way to try to stimulate economic growth and protect and create new jobs is to reduce the trade deficit through tariffs on imports, new legislation, and the renegotiation or cancellation of trade deals such as NAFTA and the Trans-Pacific Partnership (TPP), which involved 12 countries (the United States, Japan, Mexico, Canada, Australia, New Zealand, Vietnam, Peru, Chile, Malaysia, Singapore, and Brunei). However, the relationship between trade, economic growth, and employment is complex, influenced by such factors as currency exchange rates and government spending and taxation. In fact, the United States has had trade deficits during periods of economic expansion and recession, and under high and low employment.

The current economic period has several implications for HRM. Companies are using HR practices to enhance labor productivity by improving the design of work and the use of technology, upskilling employees through training, and managing performance and compensation to incentivize and motivate workers to work smarter and harder. Although companies are looking to add new employees to expand operations, replace retiring employees, or keep up with increased demand for their products and services, many may be unable to find new employees with the skills they need.⁴¹

Also, valuable high-performing employees may be looking to change jobs for higher wages or better career opportunities. As a result, companies are having problems attracting and retaining talented employees. Many are increasing wages, paying for benefits, and providing training as part of the solution. For example, one Wendy's franchise owner raised his store's average pay by almost \$1 per hour; in addition, he provides \$500 referral bonuses to employees who find new hires and offers employees more flexible work schedules.⁴² The availability of workers with the right skill set is a key factor that many companies, such as Salesforce.com and Cisco, are using to determine in which city or region to open new offices.

In addition to raising pay, companies are focusing on learning.⁴³ For example, Starbucks has focused on learning as a way to attract and retain employees and show it is committed to their success. The Starbucks College Achievement Plan covers employees' tuition to earn an online bachelor's degree from Arizona State University. Employees can choose from 60 undergraduate degree programs. The only requirements are that employees must work at least 20 hours per week for three consecutive months; be U.S.-based working in support centers, plants, or at any company-operated store (including Teavana, Evolution Fresh, and Seattle's Best Coffee stores); and not yet have a bachelor's degree. Employees have no commitment to remain at Starbucks after they graduate. EJ Ajax Metalforming Solutions posts a skills matrix on a bulletin board where all employees can see it. The skills matrix lists employees' skill levels and all machines and tasks required within a department. This shows employees available training opportunities they can request from their supervisors. The currently lower unemployment rate is especially affecting the ability of small businesses to find qualified employees with the skills they need. As a result, many are spending more time training workers. For example, precision tool maker Mountz Inc. now spends about 36 hours each year on training, compared to six to eight hours three years ago.

HR programs and the HR function are under pressure to relate to their company's business strategy and show a return on investment. Customer focus needs to be included in all HRM practices. New technology means that administrative and transactional HR

activities will be delivered via technology, creating less need for HR professionals to provide these activities. The aging workforce, combined with reduced immigration because of security concerns, may lead employers to focus more on retraining employees or encouraging older, skilled workers to delay retirement or work part time.⁴⁴

Labor Force and Employment Characteristics. Table 1.4 highlights employment projections to 2024. Our discussion of employment projections is based on the work done by the U.S. Bureau of Labor Statistics.⁴⁵ Population is the most important factor in determining the size and composition of the labor force. The labor force is expected to grow to almost 164 million by 2024. The size of the labor force will increase, but it is growing more slowly than in previous decades primarily because of the declining growth rate of the population. The labor force will continue to age with more people from the Baby Boomer generation (born between 1946 and 1964) entering retirement age or having already left the workforce.

Because the U.S. population is expected to become increasingly diverse, so is the U.S. workforce. The growth rate of women in the labor force will be faster than the growth rate for men. Immigration is an important force in population and workforce growth and diversity. Traditionally, Hispanic and Asian men have high labor force participation. All racial and ethnic groups, except non-Hispanic whites, are expected to grow by 2024; the share of non-Hispanic whites is expected to decline. With the fastest population growth of all racial and ethnic groups, Hispanics are projected to make up nearly 20% of the labor force (the diversity and aging of the workforce is discussed in more detail later in this chapter).

The importance of the service sector in the U.S. economy is emphasized by considering industry and occupational employment rates and future projections. In all, 80% of jobs are in the service sector. Currently, the largest percentages of jobs are found in health care and social assistance, leisure and hospitality, state and local government, professional and business services, and retail trade. Most of the employment growth will be in the health care and social assistance sector, which will account for over one-third of projected job growth through 2024. The construction industry is expected to add the largest number of jobs by 2024 but not back to prerecession levels.⁴⁶

Table 1.5 provides examples of the largest percentage growth in jobs from 2014 to 2024. Of the 15 fastest growing occupations, over half are related to health care (such as occupational therapy assistants, home health aides, nurse practitioners, and physical therapists). The growth in health care reflects the inpatient and outpatient medical care that is needed for the aging U.S. population.

All major occupations are projected to gain jobs between 2014 and 2024 except production occupations, and farming, fishery, and forestry. Six industries are projected to have decreases in employment—manufacturing; federal government; agriculture; forestry, fishing, and hunting; information; and utilities. This loss of jobs and workers is due to several factors including technological improvements, which means fewer workers are needed; global competition; industry consolidation; cost-cutting and more efficient work processes; and decrease in the number of workers who want to work in these occupations.

Education plays an important role in meeting occupational or job requirements and in employee earnings.⁴⁷ A minimum level of education is not required for approximately 31% of U.S. jobs. But, 22% of jobs require some form of training such as a certificate or license. Further, 11 of the 15 fastest-growing occupations require some level of postsecondary education and have higher median weekly earnings than the national average. Today, the median weekly earnings for jobs requiring a high school diploma is \$678,

OCCUPATION	EMPLOYMENT CHANGE 2014–2024		MOST SIGNIFICANT EDUCATION OR TRAINING
	NUMBER (IN THOUSANDS)	PERCENT	
Wind turbine service technicians	9	100	Some college, no degree
Occupational therapy assistants	47	43	Associate degree
Physical therapy assistants	111	41	Associate degree
Physical therapists aides	69	39	High school diploma or equivalent
Home health aides	1,262	38	No formal educational requirement
Commercial divers	6	37	Postsecondary nondegree award
Nurse practitioners	172	35	Master's degree
Physical therapists	283	34	Doctoral or professional degree
Statisticians	40	34	Master's degree
Ambulance drivers and attendants, except emergency medical technicians	26	33	High school diploma or equivalent

Table 1.5

Examples of the Occupations with the Largest Growth in Jobs

SOURCE: Based on Bureau of Labor Statistics, "Employment Projections: 2014–2024 Summary," News Release, December 8, 2015, www.bls.gov/emp, accessed February 23, 2017.

compared to \$738 for those who have some college but no degree, \$798 for an associate degree, \$1,137 for a bachelor's degree, and \$1,730 for a professional degree. The discrepancy in earnings is expected to continue in the future.

Despite the availability of unemployed and underemployed workers and new high school and college graduates, companies are having a difficult time finding employees with the right skills. Several studies illustrate how the skills deficit is influencing companies and identify what skills are in short supply.⁴⁸ Although many businesses plan to hire new employees, they are concerned that they will not be able to find the talent needed to capitalize on investments they are making in new technology and other strategic capabilities. Skills deficits are not limited to any one business sector, industry, or job. Nearly half of CEOs of U.S. businesses believe that a significant skills gap exists that will result in loss of business, loss of revenue, decreased customer satisfaction, or a delay in new products or services. The Manufacturing Institute found that 80% of manufacturers report a moderate or serious shortage of qualified applicants for skilled and highly skilled production positions. One estimate is that 60% of manufacturing job openings in the next 10 years are likely to be unfilled due to the lack of employees with the necessary skills. The Organisation for Economic Co-operation and Development (OECD) found that the United States ranked 21 out of 23 countries in math and 17 out of 19 countries in problem solving. But skills deficits are not just a problem facing U.S. companies. They are occurring around the world. For example, in Italy and Spain nearly 3 out of 10 adults perform at or below the lowest proficiency level in literacy and numerical ability. One

study found that, regardless of their education level, only half the companies surveyed rated new employees as adequately prepared for work. Companies' greatest basic skills needs were in reading, writing, and math. Many employers also feel that they are having a difficult time finding employees with the right "soft skills" such as work ethic, teamwork, and communications that they believe are more important for success on the job than job-specific or "hard skills" such as blueprint reading or writing. Interpersonal skills, the ability to learn, creativity, and problem solving are especially important in the service economy because employees have responsibility for the final product or service provided. There is especially a shortage of employees with skills in science, technology, engineering, and math (STEM skills).

Companies are partnering with unions, elementary and secondary schools, and colleges and universities to develop the necessary skills needed in today's workforce.⁴⁹ As the aluminum manufacturer Alcoa works with Airbus to provide 3-D-printed titanium fuselage parts for commercial airlines, it needs more workers with technical skills focused on 3-D printing. To meet this need, Alcoa has quadrupled its internships in the past three years at its Technology Center in New Castle, Pennsylvania. The company is also partnering with a community college to train 60 students for jobs. Some companies are even choosing to locate new plants close to college towns, where they have access to employees with the skill sets they need and the opportunity to collaborate on research that has business implications. For example, General Electric (GE) chose to locate a plant that would use 3-D printing to make products in Auburn, Alabama (home of Auburn University). General Electric picked Auburn because it could find and train technicians needed to operate the printers and work with the university on research products focused on understanding the properties of the powder used in the printers in order to improve product consistency. Auburn University bought the same 3-D printer that GE uses so that students can learn how to use the machine. Recognizing the future growth potential of the 3-D printing industry, Auburn University and the city of Auburn, Alabama, are hopeful that they can attract other 3-D printer manufacturers and suppliers and vendors.

Understand and Enhance the Value Placed on Intangible Assets and Human Capital

Today more and more companies are interested in using intangible assets and human capital as a way to gain an advantage over competitors. A company's value includes three types of assets that are critical for the company to provide goods and services: financial assets (cash and securities), physical assets (property, plant, equipment), and intangible assets. Table 1.6 provides examples of intangible assets. **Intangible assets** include human capital, customer capital, social capital, and intellectual capital. Intangible assets are equally or even more valuable than financial and physical assets, but they are difficult to duplicate or imitate.⁵⁰ By one estimate, up to 75% of the source of value in a company is in intangible assets.⁵¹

Intangible assets have been shown to be responsible for a company's competitive advantage. Human resource management practices such as training, selection, performance management, and compensation have a direct influence on human and social capital through influencing customer service, work-related know-how and competence, and work relationships.

Blue Apron, a company that delivers the fresh ingredients and cooking instructions its customers need to prepare delicious meals, puts a great deal of effort into developing human capital, social capital, and customer capital.⁵² Blue Apron hosts a wine happy hour that brings customers together to help build friendships, facilitate networking, and introduce wines the company is selling that month as part of its meal delivery subscription.

Intangible assets

A type of company asset that includes human capital, customer capital, social capital, and intellectual capital.

Table 1.6
Examples of
Intangible Assets

Human capital
• Tacit knowledge
• Education
• Work-related know-how
• Work-related competence
Customer capital
• Customer relationships
• Brands
• Customer loyalty
• Distribution channels
Social capital
• Corporate culture
• Management philosophy
• Management practices
• Informal networking systems
• Coaching/mentoring relationships
Intellectual capital
• Patents
• Copyrights
• Trade secrets
• Intellectual property

SOURCES: Based on L. Weatherly, *Human Capital: The Elusive Asset* (Alexandria, VA: SHRM Research Quarterly, 2003); E. Holton and S. Naquin, "New Metrics for Employee Development," *Performance Improvement Quarterly* 17 (2004), pp. 56–80; M. Huselid, B. Becker, and R. Beatty, *The Workforce Scorecard* (Boston: Harvard University Press, 2005).

Full-time employees attend an annual camping trip, which often involves visiting a farm to see where its ingredients are grown. Blue Apron provides leadership training programs for every level of manager within the company. The training programs focus on how managers want to develop as leaders, how they can help their employees develop, and how to lead across the organization.

Intangible assets have been shown to be related to a company's financial performance, productivity, and innovation.⁵³ The American Society for Training and Development found that companies that invested the most in training and development had a shareholder return 86% higher than companies in the bottom half and 46% higher than the market average.

One way companies try to increase intangible assets is through attracting, developing, and retaining knowledge workers. **Knowledge workers** are employees who contribute to the company not through manual labor, but through what they know about customers or a specialized body of knowledge. Employees cannot simply be ordered to perform tasks; they must share knowledge and collaborate on solutions. Knowledge workers contribute specialized knowledge that their managers may not have, such as information about customers. Managers depend on them to share information. Knowledge workers have many job opportunities. If they choose, they can leave a company and take their knowledge to a competitor. Knowledge workers are in demand because companies need their skills and jobs requiring them are growing (see Table 1.5).

Emphasize Empowerment and Continuous Learning. To completely benefit from employees' knowledge requires a management style that focuses on developing and empowering employees. **Empowering** means giving employees responsibility and authority

Knowledge workers

Employees who own the intellectual means of producing a product or service.

Empowering

Giving employees the responsibility and authority to make decisions.

to make decisions regarding all aspects of product development or customer service.⁵⁴ Employees are then held accountable for products and services; in return, they share the rewards and losses of the results. For empowerment to be successful, managers must be trained to link employees to resources within and outside the company (people, websites, etc.), help employees interact with their fellow employees and managers throughout the company, and ensure that employees are updated on important issues and cooperate with each other. Employees must also be trained to understand how to use the Web, e-mail, and other tools for communicating, collecting, and sharing information.

Learning organization

An organization whose employees are continuously attempting to learn new things and apply what they have learned to improve product or service quality.

As more companies become knowledge-based, it's important that they promote continuous learning at the employee, team, and company levels. A **learning organization** embraces a culture of lifelong learning, enabling all employees to continually acquire and share knowledge. Improvements in product or service quality do not stop when formal training is completed.⁵⁵ Employees need to have the financial, time, and content resources (courses, experiences, development opportunities) available to increase their knowledge. Managers take an active role in identifying training needs and helping to ensure that employees use training in their work. Also, employees should be actively encouraged to identify problems, make decisions, continuously experiment, and improve.

Keller Williams Realty, which focuses on buying and selling residential and commercial real estate, emphasizes continuous learning both to attract new real estate agents and to help all agents boost their sales, which means the company makes profits and they earn more money.⁵⁶ Learning is accessible for agents anywhere and anytime via KW Connect, a learning platform that includes all of the company's training programs and materials, as well as user-generated content from top real-estate professionals. For example, KW Connect includes videos, audio files, and links, a feature that allows learners to follow top executives and agents and receive notifications when they post new content, a question-and-answer forum, user ratings and comments for all content that helps identify the best ideas, and a searchable calendar that allows agents to sign up for over 250,000 instructor-led training classes. Top agents provide videos explaining how they deal with common real estate challenges. Office managers can create custom content for new agents or other groups.

Change

The adoption of a new idea or behavior by a company.

Adapt to Change. **Change** refers to the adoption of a new idea or behavior by a company. Technological advances, changes in the workforce or government regulations, globalization, and new competitors are among the many factors that require companies to change. Change is inevitable in companies as products, companies, and entire industries experience shorter life cycles.⁵⁷ This has played a major role in reshaping the employment relationship.⁵⁸ New or emergent business strategies that result from these changes cause companies to merge, acquire new companies, grow, and in some cases downsize and restructure. This has resulted in changes in the employment relationship. Companies demand excellent customer service and high productivity levels. Employees are expected to take more responsibility for their own careers, from seeking training to balancing work and family. In exchange for top performance and working longer hours without job security, employees want companies to provide flexible work schedules, comfortable working conditions, more autonomy in accomplishing work, training and development opportunities, and financial incentives based on how the company performs. Employees realize that companies cannot provide employment security, so they want employability—that is, they want their company to provide training and job experiences to help ensure that employees can find other employment opportunities. The HRM challenge is how to build a committed, productive workforce in economic conditions that offer opportunity for financial success but can also quickly turn sour, making every employee expendable.

Consider how Portsmouth Naval Shipyard embraced the need to change.⁵⁹ It was performing poorly compared to other government-run shipyards in the United States. Submarine maintenance and upgrades took longer to complete and were more costly than they should have been. Employees, managers, and the unions recognized the need to change or otherwise risk the shipyard closing and its business going to other government or for-profit shipyards. They collectively developed a “Declaration of Excellence,” which included the values, beliefs, and attitudes that employees should strive to achieve. It represented a commitment to excellence for employees and the entire shipyard to try to achieve every day. To help facilitate positive changes in operations, whiteboards were placed around the shipyard to provide a way for employees to write down ideas for improving safety and suggestions for changing work processes to save time and money. Ideas were reviewed and implemented by a joint labor–management committee. The change effort continues, but so far results have been positive. Portsmouth has moved from the bottom to the top of government rankings for cost and time of maintenance and ship upgrades.

Maximize Employee Engagement. Employee engagement refers to the degree to which employees are fully involved in their work and the strength of their commitment to their job and the company.⁶⁰ How do we know if an employee is engaged? An engaged employee is passionate about his or her work, is committed to the company and its mission, and works hard to contribute. Engagement survey results show that approximately 32% of US employees are engaged in their work, 51% are not engaged, and 17% are actively disengaged.⁶¹ Actively disengaged employees cost the United States billions of dollars every year in lost productivity.

Perhaps the best way to understand engagement is to consider how companies measure employee engagement. Companies measure employees’ engagement levels with attitude or opinion surveys. Although the types of questions asked on these surveys vary from company to company, research suggests the questions generally measure 10 common themes shown in Table 1.7. As you probably realize after reviewing the themes shown in Table 1.7, employees’ engagement is influenced by how managers treat employees as well as HR practices such as recruiting, selection, training and development, performance management, work design, and compensation.

Consider how Echo Global Logistics, Whole Foods, and Timberlane support employee engagement.⁶² Echo Global Logistics uses a Facebook-like application to allow employees to provide positive feedback and badges to other employees. The application gives

Employee engagement

The degree to which employees are fully involved in their work and the strength of their job and company commitment.

Pride in employer
Satisfaction with employer
Satisfaction with the job
Opportunity to perform challenging work
Recognition and positive feedback for contributions
Personal support from manager
Effort above and beyond the minimum
Understanding the link between one’s job and the company’s mission
Prospects for future growth with the company
Intention to stay with the company

Table 1.7
Common Themes of
Employee
Engagement

employees the ability to use sayings in their feedback to each other that reflect Echo's values such as "Bring Your Own," which refers to employees bringing their best effort to work. The use of the sayings as part of employees' feedback to each other has resulted in their more seriously paying attention to the company values. The application also has a survey function that can be used to measure employee engagement and track improvements. The surveys can be administered weekly or even daily, which allows the company to take fast action to implement necessary improvements. The surveys ask employees to indicate their level of agreement with statements such as, "I can see a link between my performance and total compensation," "Echo operates by strong values and ethics," and "There is good teamwork across departments." Whole Foods supports engagement by allowing employee teams to make recommendations about whether new hires should be hired permanently at the end of their probationary period. Timberlane uses results from a test of employees' preferences to match them with the tasks they are most interested in and comfortable performing.

Talent management

Attracting, retaining, developing, and motivating highly skilled employees and managers.

Manage Talent. **Talent management** refers to the systematic planned strategic effort by a company to use bundles of HRM practices—including acquiring and assessing employees, learning and development, performance management, and compensation—to attract, retain, develop, and motivate highly skilled employees and managers. This means recognizing that all HR practices are interrelated, are aligned with business needs, and help the organization manage talent to meet business goals. For example, at Qualcomm, a San Diego company, talent management is organized around core values that emphasize recruiting smart, motivated employees and creating a work environment that allows them to innovate, execute, partner, and lead.⁶³ When Qualcomm wanted to introduce technology for its performance management process, HR generalists worked together with organizational development and information technology specialists to ensure that what employees were being evaluated on (performance management) and what employees were paid and rewarded for (compensation and rewards) were aligned. Managers were trained to use the performance management system and now focus on identifying employee skills gaps to identify opportunities to improve performance.

Survey results suggest that having opportunities for career growth, learning, and development, and performing exciting and challenging work are some of the most important factors in determining employees' engagement and commitment to their current employer.⁶⁴ As the economy improves, high-achieving employees may be looking to leave companies if they do not feel they have adequate opportunities to develop or move to positions in which they can best utilize their skills.

Consider how YUM! Brands and BNSF manage talent.⁶⁵ All corporate employees at YUM! Brands are provided with a midyear development plan and reviews of their skills from their boss and peers to help them identify their strengths and weaknesses. Managers provide the coaching necessary to help the employees set short- and long-term career goals and identify training and development activities. BNSF, the largest freight railroad in North America, recognizes that developing and promoting talent from within the company is critical for business success because of the technical nature of the work, the complicated operating environment, and the company's desire to maintain its strong culture. BNSF uses programs and processes to develop its internal talent, including an internship and management training program that starts with college and graduate school hires, regular department-level discussions of top talent and talent movement, and development plans matched to each employees' development needs and desired career path. The emphasis on talent has paid off: 38% of the company's top talent received a development move or promotion and 96% of its top 500 leadership positions have been filled with internal talent.

Consider Nontraditional Employment and the Gig Economy. More companies are moving away from the traditional employment model based on full-time workers to increasingly rely on nontraditional employment. **Nontraditional employment** includes the use of independent contractors, freelancers, on-call workers, temporary workers, and contract company workers. Studies estimate that between 20% and 35% of the total U.S. workforce is engaged in nontraditional employment, including those who have a full-time job (what is called “moonlighting”).⁶⁶ Companies that rely primarily on nontraditional employment to meet service and product demands are competing in the **gig economy**.⁶⁷ Although many companies will continue to rely on a traditional employment model using full- and part-time employees, 40% believe they will use a nontraditional model (independent contractors, project-based or freelance need-based work) in the next decade.

What does nontraditional employment look like? Often, a website or mobile app is used to assign work, and the worker sets his or her own schedule. Because these workers do not work for a company, they do not have taxes withheld from their earnings, they do not have to receive minimum wage or overtime pay, and they are not eligible for worker’s compensation and unemployment insurance. Examples of companies that rely on the gig economy include transportation services Uber and Lyft and food-delivery services such as Caviar. Nontraditional employment has benefits and disadvantages for both individuals and employers.⁶⁸

More workers in nontraditional employment relationships are choosing these arrangements. Nontraditional employment can benefit both individuals and employers. More and more individuals don’t want to be attached to any one company. They want the flexibility to work when and where they choose. They may want to work fewer hours to better balance work and family responsibilities. Also, individuals who have been downsized may choose nontraditional employment while they are seeking full-time employment. From the company perspective, it is easier to add temporary employees when they are needed and easier to terminate their employment when they are not needed. Part-time workers can be a valuable source of skills that current employees may not have and are needed for a specific project that has a set completion date. Part-time workers can be less expensive than permanent employees because they do not receive employer health benefits or participate in pension plans. Employing part-time workers such as interns allows the company to determine if the worker meets performance requirements and fits in with the company culture, and if so, the company may then decide to offer the employee a permanent position. For example, Ammacore’s workers install cabling and perform electronic troubleshooting for the company’s clients.⁶⁹ Ammacore uses a third-party vendor to screen and verify credentials of technicians it uses. A community manager communicates with the technicians before, during, and after a project to ensure they have the information they need. Using a service provided by the third-party vendor, the company rates the technicians’ timeliness, performance, and reliability. The technicians rate Ammacore on the timeliness of the payment for their services and communication during the project. Technicians who perform well receive small bonuses. Ammacore depends on receiving good ratings from technicians to attract talented technicians. Some technology companies such as Honeywell have relied on crowdsourcing using services such as Topcoder and Amazon’s Mechanical Turk to find scientists and software engineers who have the skills not found in the company’s employees to solve problems, create apps, or write code. Alphabet Inc., the parent company of Google, has equal numbers of full-time and temporary and contract workers who test self-driving cars, manage projects, review legal documents, and do other jobs. Nontraditional employment also has potential disadvantages. These include concerns about work quality, inability to maintain the company culture or team environment, and legal liability.⁷⁰

Nontraditional employment

Includes the use of independent contractors, freelancers, on-call workers, temporary workers, and contract company workers.

Gig economy

Companies who rely primarily on non-traditional employment to meet service and product demands

Provide Flexibility to Help Employees Meet Work and Life Demands. The globalization of the world economy and the development of e-commerce have made the notion of a 40-hour work week obsolete. Survey results show that 46% of employees work more than 45 hours per week.⁷¹ As a result, companies need to be staffed 24 hours a day, seven days a week. Employees in manufacturing environments and service call centers are being asked to move from 8- to 12-hour days or to work afternoon or midnight shifts. Similarly, professional employees face long hours and work demands that spill over into their personal lives. Notebook computers, smartphones, and smartwatches bombard employees with information and work demands. In the car, on vacation, on planes, and even in the bathroom, employees can be interrupted by work demands. More demanding work results in greater employee stress, less satisfied employees, loss of productivity, and higher turnover—all of which are costly for companies.

One study found that because of work demands 75% of employees report not having enough time for their children, and 61% report not having enough time for their husbands or wives. However, only half of employees in the United States strongly agree that they have the flexibility they need to successfully manage their work and personal or family lives.⁷² Many companies are recognizing the benefits that can be gained by both the company and employees through providing flexible work schedules, allowing work-at-home arrangements, protecting employees' free time, and more productively using employees' work time.⁷³ The benefits include the ability to have an advantage in attracting and retaining talented employees, reduced stress resulting in healthier employees, and a rested workforce that can maximize the use of their skills. It is estimated that 24% of all workers do some or all of their work at home.⁷⁴ Some 23 million workers worked at home on an average day in 2016. Employees in managerial, business, and financial operations and professional occupations are most likely to do some or all of their work at home.

KPMG offers employees the option of working part time while keeping their benefits yet not ruining their chances for promotion.⁷⁵ Almost all KPMG employees have used the company's work/life benefits, which also include job sharing, working at home, and paid leaves for parents and unpaid leaves for a career break at some point. Employees are encouraged to discuss their use of work/life benefits with their managers and team members to ensure that their personal needs as well as the client's needs are met. The World Wildlife Fund (WWF) gives its 6,200 employees every other Friday off but requires them to work 70 hours over nine days. Despite this requirement, employees like the benefit and it matches WWF's conservation mission by reducing employee commuting and the use of electricity in the office. Diebold was able to attract top executives who didn't want to relocate to Ohio by allowing them to work remotely.⁷⁶ They spend at least a few days a month in Ohio, but otherwise they work from their home offices and travel to meet with their staffs and customers. Phone calls, e-mails, and teleconferences every Monday are used to ensure that the executives stay up to date on current company issues.

The use of nontraditional work employment and work-at-home has resulted in the development of co-working sites or shared offices where diverse workers such as designers, artists, freelancers, consultants, and other independent contractors pay a daily or monthly fee for a guaranteed work space.⁷⁷ Co-working sites are equipped with desks, Internet, and conferences rooms, and some even provide couches for relaxing and free coffee and beer. Co-working sites help independent contractors and employees who work at home, travel, or telecommute and who have feelings of isolation, enabling them to collaborate and interact, providing a more professional working atmosphere than coffee shops, and helping to decrease traffic and pollution.

Meet the Needs of Stakeholders: Shareholders, Customers, Employees, and Community

As we mentioned earlier, company effectiveness and competitiveness are determined by whether the company satisfies the needs of stakeholders. Stakeholders include stockholders (who want a return on their investment), customers (who want a high-quality product or service), and employees (who desire interesting work and reasonable compensation for their services). The community, which wants the company to contribute to activities and projects and minimize pollution of the environment, is also an important stakeholder.

Demonstrate Performance to Stakeholders: The Balanced Scorecard. The **balanced scorecard** gives managers an indication of the performance of a company based on the degree to which stakeholder needs are satisfied; it depicts the company from the perspective of internal and external customers, employees, and shareholders.⁷⁸ The balanced scorecard is important because it brings together most of the features that a company needs to focus on to be competitive. These include being customer-focused, improving quality, emphasizing teamwork, reducing new product and service development times, and managing for the long term.

The balanced scorecard differs from traditional measures of company performance by emphasizing that the critical indicators chosen are based on the company's business strategy and competitive demands. Companies need to customize their balanced scorecards based on different market situations, products, and competitive environments.

The balanced scorecard should be used to (1) link human resource management activities to the company's business strategy and (2) evaluate the extent to which the HRM function is helping the company meet its strategic objectives. Communicating the scorecard to employees gives them a framework that helps them see the company's goals and strategies, how these goals and strategies are measured, and how they influence the critical indicators. Measures of HRM practices primarily relate to productivity, people, and process.⁷⁹ Productivity measures involve determining output per employee (such as revenue per employee). Measuring people includes assessing employees' behavior, attitudes, or knowledge. Process measures focus on assessing employees' satisfaction with people systems within the company. People systems can include the performance management system, the compensation and benefits system, and the development system. To show that HRM activities contribute to a company's competitive advantage, managers need to consider the questions shown in Table 1.8 and be able to identify critical indicators or metrics related to human resources. As shown in the last column of Table 1.8, critical indicators of HR practices primarily relate to people, productivity, and process.

For example, at ConocoPhillips, the balanced scorecard for top executives includes costs, health and safety, production, and resource replacement.⁸⁰ ConocoPhillips has also developed scorecards for operational-level activities such as safety. Some physicians employed by OhioHealth, a hospital system, receive up to 10% of their pay based on a balanced scorecard consisting of quality, service, financial performance, and employee engagement.⁸¹

Demonstrate Social Responsibility. Increasingly, companies are recognizing that social responsibility can help boost a company's image with customers, gain access to new markets, and help attract and retain talented employees. Companies thus try to meet shareholder and general public demands that they be more socially, ethically, and environmentally responsible. For example, Bill Gates, former CEO and Microsoft Corporation founder, has improved Microsoft's corporate reputation through his personal involvement in a charitable foundation dedicated to using science and technology to improve lives around the world.

Balanced scorecard

A means of performance measurement that gives managers a chance to look at their company from the perspectives of internal and external customers, employees, and shareholders.

LO 1-3

Discuss how human resource management affects a company's balanced scorecard.

Table 1.8

The Balanced Scorecard

PERSPECTIVE	QUESTIONS ANSWERED	EXAMPLES OF CRITICAL BUSINESS INDICATORS	EXAMPLES OF CRITICAL HR INDICATORS
Customer	How do customers see us?	Time, quality, performance, service, cost	Employee satisfaction with HR department services Employee perceptions of the company as an employer
Internal	What must we excel at?	Processes that influence customer satisfaction, availability of information on service, and/or manufacturing processes	Training costs per employee, turnover rates, time to fill open positions
Innovation and learning	Can we continue to improve and create value?	Improve operating efficiency, launch new products, continuous improvement, empowering of workforce, employee satisfaction	Employee/skills competency levels, engagement survey results, change management capability
Financial	How do we look to shareholders?	Profitability, growth, shareholder value	Compensation and benefits per employee, turnover costs, profit per employee, revenue per employee

SOURCE: Based on K. Thompson and N. Mathys, "The Aligned Balanced Scorecard," *Organizational Dynamics* 37 (2008), pp. 378–393; B. Becker, M. Huselid, and D. Ulrich, *The HR Scorecard: Linking People, Strategy, and Performance* (Boston: Harvard Business School Press, 2001).

Coca-Cola is involved in an initiative focused on women's economic empowerment throughout the world by providing business skills training, access to financing, and networking and mentoring.⁸² The initiative is helping millions of women around the world to build their businesses, support their families, and build their communities.

Companies are realizing that helping to protect the planet can also save money.⁸³ International Paper, a global paper and packaging company, has focused on reducing the amount of manufacturing waste sent to landfills.⁸⁴ It has reduced solid waste to landfills by 11% since 2010, and its goal is to reduce manufacturing waste to landfills to 30% by 2020. It has done so by collecting and selling the by-products of its manufacturing to other companies to make solvents, soaps, lubricants, paint thinners, and other products. Dow Chemical has sustainability goals that include the use of sustainable chemistry, reducing energy usage, and publishing safety evaluations for all of its products.⁸⁵

The "Competing through Sustainability" box highlights the sustainable business practices of several companies.

Emphasize Customer Service and Quality

Companies' customers judge quality and performance. As a result, customer excellence requires attention to product and service features as well as to interactions with customers. Customer-driven excellence includes understanding what the customer wants and anticipating future needs. Customer-driven excellence includes reducing defects and errors, meeting specifications, and reducing complaints. How the company recovers from defects and errors is also important for retaining and attracting customers.

Due to increased availability of knowledge and competition, consumers are very knowledgeable and expect excellent service. This presents a challenge for employees who

COMPETING THROUGH SUSTAINABILITY



Socially Responsible Programs Help Improve the World

Sustainability is an important part of many companies' business strategy. Dow's leadership development program, Leadership in Action, is part of Dow's approach to meeting the world's basic needs by matching its employees with organizations that need support for sustainable development projects, especially in business growth areas for Dow. In 2016, 40 Dow employees worked in teams on six projects with partners from nongovernmental organizations in Cebu, Philippines. The projects included branding and packaging for meat and dairy products, assessing water quality and helping to rehabilitate Tinago Creek which runs through the city, and increasing crop production through better farming practices.

The pharmaceutical company Novartis is actively involved in improving health care for pregnant women in Africa. Many health centers lack necessary

medical supplies, and health care workers often do not have the medical expertise needed to help women with pregnancy complications. A new program was started in Ethiopia, called New Life & New Hope, to improve maternal and child health and to reduce mortality associated with childbirth. The program sponsored basic emergency obstetric and newborn care training for 80 midwives, affecting the care of approximately 40,000 pregnant women in the Addis Ababa area.

The Mars Ambassador Program provides employees with the opportunity to share their expertise and develop skills by spending up to six weeks supporting projects managed by organizations such as the Rainforest Alliance or the World Wildlife Federation, or to work with local communities. For example, one Mars Ambassador team spent a week in Puerto

Rico rebuilding an animal shelter. The local community benefited by being able to provide better care and quality of life for the animals. The employees learned how to work on a team in challenging situations. Another team worked with students in Bucharest, Romania, to design and implement an energy audit for their school, which resulted in cost savings and energy conservation.

DISCUSSION QUESTION

1. How does a company's sustainability efforts help the company attract, retain, and develop employees? Explain your answer.

SOURCES: Based on "Dow Chemical's New Formula for Global Leaders," *Chief Learning Officer*, April 2015, pp. 42–43, 49; "Leadership in Action: Philippines 2016," www.dow.com, accessed February 20, 2017; "Our Work in Africa," www.novartis.com, accessed February 20, 2017; D. Moss, "One Sweet Job," *HR Magazine*, October 2016, pp. 43–45; "Mars Ambassador Program," www.marsgcc.com, accessed February 16, 2017.

interact with customers. The way in which clerks, sales staff, front-desk personnel, and service providers interact with customers influences a company's reputation and financial performance. Employees need product knowledge and service skills, and they need to be clear about the types of decisions they can make when dealing with customers.

To compete in today's economy, whether on a local or global level, companies need to provide a quality product or service. If companies do not adhere to quality standards, their ability to sell their product or service to vendors, suppliers, or customers will be restricted. Some countries even have quality standards that companies must meet to conduct business there. **Total quality management (TQM)** is a companywide effort to continuously improve the ways people, machines, and systems accomplish work.⁸⁶ Core values of TQM include the following:⁸⁷

- Methods and processes are designed to meet the needs of internal and external customers.
- Every employee in the company receives training in quality.

Total quality management (TQM)

A cooperative form of doing business that relies on the talents and capabilities of both labor and management to continually improve quality and productivity.

- Quality is designed into a product or service so that errors are prevented from occurring rather than being detected and corrected.
- The company promotes cooperation with vendors, suppliers, and customers to improve quality and hold down costs.
- Managers measure progress with feedback based on data.

Malcolm Baldrige National Quality Award

An award established in 1987 to promote quality awareness, to recognize quality achievements of U.S. companies, and to publicize successful quality strategies.

ISO 9000:2015

A series of quality assurance standards developed by the International Organization for Standardization in Switzerland and adopted worldwide.

Malcolm Baldrige National Quality Award. One way that companies can improve the quality of their products or services is through competing for the **Malcolm Baldrige National Quality Award** or gaining certification in the **ISO 9000:2015** standards. The Baldrige award, created by public law, is the highest level of national recognition for quality that a U.S. company can receive. To become eligible for the Baldrige, a company must complete a detailed application that consists of basic information about the firm as well as an in-depth presentation of how it addresses specific criteria related to quality improvement.⁸⁸ The categories and point values for the Baldrige Award are found in Table 1.9. The award is not given for specific products or services. Organizations can compete for the Baldrige Award in one of several categories, including manufacturing, service, small business, education, health care, and nonprofit. The Baldrige Award is given annually in each of the categories with a total limit each year of 18 awards. All applicants for the Baldrige Award undergo a rigorous examination process that takes from 300 to 1,000 hours. Applications are reviewed by an independent board of about 400 examiners who come primarily from the private sector. One of the major benefits of applying for the Baldrige Award is the feedback report from the examining team noting the company's strengths and areas for improvement.⁸⁹

The Baldrige Award winners usually excel at HR practices. For example, consider Don Chalmers Ford, a 2016 small business award winner.⁹⁰ Don Chalmers Ford is an independent Ford Motor automobile dealer with 182 employees in Rio Rancho, New Mexico. Don Chalmers has been nationally recognized by Ford Motors for customer satisfaction and market share 13 times over the past 17 years. This has been accomplished by only 4% of U.S. Ford dealerships. In the past four years, its dealership profits increased by 13%, exceeding Ford's national dealership benchmark by over 8%. In addition to analyzing its service and sales processes on a daily, weekly, and monthly basis to identify opportunities for improvement, Don Chalmers's HR practices support the dealership's commitment to quality. To retain sales consultants, new employees are mentored by senior leaders to ensure they understand the business strategy and that their role is aligned with the company's core values. This resulted in a 71% employee retention rate in 2015, which is 45% higher than the national average for Ford's non-luxury-brand dealerships. To help meet the needs of its diverse workforce, Don Chalmers provides a free on-site wellness clinic staffed with a nurse practitioner, for employees and their families. To engage employees, Don Chalmers management provides employees with monthly status reports on its operations and business plans, and the senior leadership team regularly discusses customer satisfaction and provides performance feedback. Employees are encouraged to submit ideas for improvement, and senior leaders review, discuss, and implement them.

ISO (International Organization for Standardization) 9000 Standards. ISO (International Organization for Standardization), a network of national standards institutes including 160 countries with a central governing body in Geneva, Switzerland, is the world's largest developer and publisher of international standards.⁹¹ The ISO develops standards related to management, as well as a wide variety of other areas including education, music, ships, and even the protection of children. ISO standards are voluntary, though countries may decide to adopt ISO standards in their regulations, in which case they may become a requirement to compete in the market.

Leadership	120
How senior executives create and sustain vision, values, and mission; promote legal and ethical behavior; create a sustainable company; and communicate with and engage the workforce.	
Measurement, Analysis, and Knowledge Management	90
How the company selects, gathers, analyzes, uses, manages, and improves its data, information, and knowledge assets	
Strategic	85
How the company sets strategic direction, how it determines action plans, how it changes strategy and action plans if required, and how it measures progress	
Workforce	85
How the company develops and utilizes the workforce to achieve high performance; how the company engages, manages, and develops the potential of the workforce in alignment with company goals	
Operations	85
How the company designs, manages, and improves work systems and work processes to deliver customer value and achieve company success and sustainability	
Results	450
How the company performs and improves in key business areas (product, service, and supply quality; productivity; operational effectiveness and related financial indicators; environmental, legal, and regulatory compliance); the company's level of ethical and social responsibility	
Customer	85
The company's knowledge of the customer, customer service systems, current and potential customer concerns, and customer satisfaction and engagement	
Total Points	1,000

Table 1.9

Categories and Point Values for the Malcolm Baldrige National Quality Award Examination

SOURCE: Based on National Institute of Standards and Technology (NIST), "2017–2018 Criteria for Performance Excellence and Point Values," Baldrige Excellence Framework, January 2017, www.nist.gov/baldrige.

The ISO 9000 is a family of standards related to quality (ISO 9000, ISO 9001, ISO 9004, and ISO 19011). The ISO 9000 quality standards address what the company does to meet regulatory requirements and the customer's quality requirements while striving to improve customer satisfaction and continuous improvement. The standards represent an international consensus on quality management practices. ISO 9000:2015 (2015 is the most recent version) has been adopted as the quality standard in nearly 170 countries, meaning that companies have to follow the standards to conduct business in those countries. The quality management standards of the ISO 9000 are based on eight quality management principles, including customer focus, leadership, employee engagement, a process approach, a systems approach to management, continuous improvement, using facts to make decisions, and establishing mutually beneficial relationships with suppliers. ISO 9001:2008 is the most comprehensive standard because it provides a set of requirements for a quality management system for all organizations both private and public. The ISO 9001:2015 has been implemented by over 1 million organizations around the world. ISO 9004 provides a guide for companies that want to improve.

Why are standards useful? Customers may want to check that the product they ordered from a supplier meets the purpose for which it is required. One of the most efficient ways to do this is when the specifications of the product have been defined in an International Standard. That way, both supplier and customer are on the same wavelength, even if they are based in different countries, because they are both using the same references. Many products require testing for conformance with specifications or compliance with safety or other regulations before they can be put on many markets. In addition, national legislation may require such testing to be carried out by independent bodies, particularly when the products concerned have health or environmental implications. One example of an ISO standard is on the back cover of this book and nearly every other book. On the back cover is something called an ISBN. ISBN stands for International Standard Book Number. Publishers and booksellers are very familiar with ISBNs, because they are the method through which books are ordered and bought. Try buying a book on the Internet, and you will soon learn the value of the ISBN—there is a unique number for the book you want! And it is based on an ISO standard.

Six Sigma process

A system of measuring, analyzing, improving, and controlling processes once they meet quality standards.

Six Sigma In addition to competing for quality awards and seeking ISO certification, many companies are using the Six Sigma process and lean thinking. The **Six Sigma process** refers to a process of measuring, analyzing, improving, and then controlling processes once they have been brought within the narrow Six Sigma quality tolerances or standards. The objective of Six Sigma is to create a total business focus on serving the customer, that is, to deliver what customers really want when they want it. Six Sigma involves highly trained employees known as Champions, Master Black Belts, Black Belts, and Green Belts who lead and teach teams that are focusing on an ever-growing number of quality projects. The quality projects focus on improving efficiency and reducing errors in products and services. The Six Sigma quality initiative has produced more than \$5 billion in benefits for General Electric. For example, introducing the Six Sigma quality initiative at GE meant going from approximately 35,000 defects per million operations—which is average for most companies, including GE—to fewer than four defects per million in every element of every process GE businesses perform—from manufacturing a locomotive part to servicing a jet engine, or reinventing radiation technology used in health care.⁹²

Lean thinking

A way to do more with less effort, equipment space, and time, but still provide customers what they need and want.

Lean Thinking & Process Improvement. Training is an important component of quality programs because it teaches employees statistical process control and how to engage in “lean thinking.” **Lean thinking** is a way to do more with less effort, time, equipment, and space, but still provide customers what they need and want. Part of lean thinking includes training workers in new skills or how to apply old skills in new ways so that they can quickly take over new responsibilities or use new skills to help fill customer orders. Baylor Health Care System wanted to decrease waste and improve patient satisfaction and outcomes through implementing lean thinking and process improvements in several of its hospitals.⁹³ This included training employees on how to make changes to work processes. Lean thinking and process improvement supported by training provided significant value. For example, the corporate supply management team eliminated two-thirds of the time required to complete contracts, developed a decision tree for different types of projects, and reduced errors, saving \$10 million. A hospital readmission team redesigned the patient discharge process to reduce the chances of patients returning within 30 days. They realized a 44% decrease in readmissions over a six-month period, which improved the quality of life for patients and Baylor’s ability to receive Medicare/Medicaid payments from the government.

Table 1.10

Examples of HR Practices That Enhance Customer Service

Wegmans

Has given \$100 million in scholarships to more than 32,000 employees. Senior managers sit side-by-side with employees, listening in on phones in the company's call center.

Asana

Gives employees a \$10,000 allowance for computers and office décor, which employees can use to purchase mini-refrigerators, headphones, and ergonomic chairs. Asana also offers free yoga classes and in-house chefs prepare and serve three meals every day.

Google

Provides employees with food service, fitness centers, bicycle repairs, and napping pods.

Unilever

The Agile Working Program allows employees to work any hours, anywhere they want. Office cubicles have been replaced with collaborative work spaces with small, shared work pods. The new work areas are designed to provide a comfortable environment by including televisions, foosball tables, and treadmills.

Delaware North Companies

Uses tests that assess job candidates' personality and work styles to ensure they have the friendliness, curiosity, and ability to multitask, which customer service representatives need to help customers plan vacations.

Cadillac

Performance of repair technicians is carefully monitored to ensure they are not repeating mistakes in repairs. Dealers who maintain good customer service ratings based on customer surveys receive cash rewards.

Ricoh USA

Service employees participate in several training programs focused on communications skills and listening skills, telephone etiquette, and technical printing technologies. The programs are delivered via e-learning, face-to-face, and virtual instruction.

SOURCES: Based on Ricoh USA, Inc., "Services Team Annual Recognition Program," *Training*, January/February 2017, pp. 98–99; "Learn and Grow," www.wegmans.com, accessed March 1, 2017; www.asana.com, accessed March 1, 2017; L. Weber, "To Get a Job, New Hires Are Put to the Test," *Wall Street Journal*, April 15, 2015, pp. A1, A10; R. Feintzeig, "Meet Silicon Valley's Little Elves," *Wall Street Journal*, November 21, 2014, pp. A1, A10; W. Bunch, "Unleashing the Workforce," *Human Resource Executive*, November 2012, pp. 14–17; J. McGregor, "Customer Service Champs," *BusinessWeek*, March 5, 2007, pp. 52–64.

In addition to developing products or providing services that meet customer needs, one of the most important ways to improve customer satisfaction is to improve the quality of employees' work experiences. Research shows that satisfied employees are more likely to provide high-quality customer service. Customers who receive high-quality service are more likely to be repeat customers. As Table 1.10 shows, companies that are recognized as providing elite customer service emphasize state-of-the-art HR practices, including rigorous employee selection, employee loyalty, training, and keeping employees satisfied by offering generous benefits.

Recognize and Capitalize on the Demographics and Diversity of the Workforce

A company's performance on the balanced scorecard is influenced by the characteristics of its labor force. The labor force of current employees is often referred to as the **internal labor force**. Employers identify and select new employees from the external labor market

Internal labor force

Labor force of current employees.

External labor market

Persons outside the firm who are actively seeking employment.

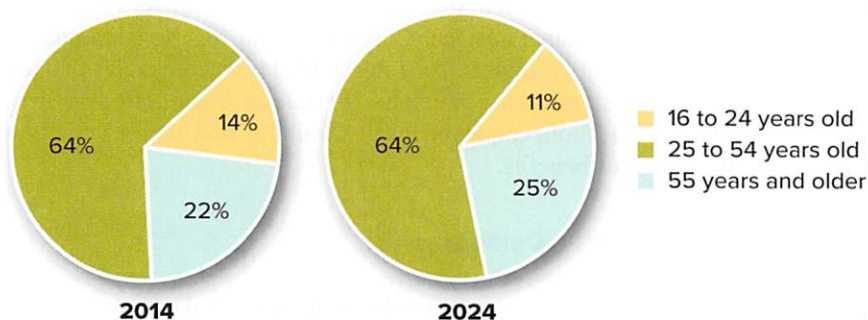
through recruiting and selection. The **external labor market** includes persons actively seeking employment. As a result, the skills and motivation of a company's internal labor force are influenced by the composition of the available labor market (the external labor market). The skills and motivation of a company's internal labor force determine the need for training and development practices and the effectiveness of the company's compensation and reward systems.

Important changes in the demographics and diversity of the workforce are projected. First, the average age of the workforce will increase. Second, the workforce will become more diverse in terms of gender, race, and generations. Third, immigration will continue to affect the size and diversity of the workforce.

Aging of the Workforce. The labor force will continue to age, and the proportion of workers age 55 and older will grow from 22% to 25% by 2024.⁹⁴ Figure 1.5 compares the distribution of the age of the workforce in 2014 to that projected for 2024. The labor force participation of those 55 years and older is expected to grow because older individuals are leading healthier and longer lives than in the past, providing the opportunity to work more years; the high cost of health insurance and decrease in health benefits causes many employees to keep working to keep their employer-based insurance or to return to work after retirement to obtain health insurance through their employer; and the trend toward pension plans based on individuals' contributions to them rather than years of service provides an incentive for older employees to continue working. The aging labor force means companies are likely to employ a growing share of older workers—many in their second or third career. Older people want to work, and many say they plan a working retirement. Despite myths to the contrary, worker performance and learning are not adversely affected by aging.⁹⁵ Older employees are willing and able to learn new technology. An emerging trend is for qualified older workers to ask to work part time or for only a few months at a time as a means to transition to retirement. Employees and companies are redefining the meaning of retirement to include second careers as well as part-time and temporary work assignments. An aging workforce means that employers will increasingly face HRM issues such as career plateauing, retirement planning, and retraining older workers to avoid skill obsolescence. Companies will struggle with how to control the rising costs of benefits and health care. Companies face competing challenges with older workers. Companies will have to ensure that older workers are not discriminated against in hiring, training, and workforce reduction decisions. At the same time, companies will want to encourage retirement and make it financially and psychologically acceptable.

Figure 1.5

Comparison of the Age Distribution of the 2014 and 2024 Labor Forces



SOURCE: Bureau of Labor Statistics, "Employment Projections, 2014–2024," News Release, www.bls.gov, accessed February 9, 2017.

Many companies are offering special programs to capitalize on older employees' skills and accommodate their needs.⁹⁶ CVS/pharmacy has stores in every region of the United States. CVS created its Snowbirds Program to allow older employees to move among locations according to their preferences. This is especially important for older employees who spend winters in the southern states and summer in the northern states. Over 1,000 employees, including retail clerks, pharmacists, and managers, have participated in the program.

Scripps Health has equipped patient rooms with lifts to help all employees, but especially older workers, providing assistance to move patients from beds to wheelchairs, help them to sit up, and change their position in bed. The National Institutes of Health (NIH) has two phased-retirement programs that allow employees to choose to gradually transition to retirement by reducing hours or a trial-retirement program that allows retirees to return to work within one year of retiring in case they decide they aren't ready to leave the workforce. This helps ease their transition out of the job and workplace but provides them time to share their knowledge and help train other employees to take their jobs.

The Multigenerational Workforce. Because employees are working longer, the workforce now has five generations, each one with unique characteristics and characteristics similar to the others. Table 1.11 shows the year born, nicknames, and ages represented for each generation. Consider some of the attributes that are believed to characterize each generation.⁹⁷ For example, Generation Z, born after 1995, have started to graduate from college and are already part of the workforce. They are digital natives, more attached to mobile phones and tablets for learning and connecting with others than are Millennials. Generation Z may be more entrepreneurial than other generations and more interested in meaningful work than money. They likely lack basic job skills because they were unable to get jobs during the recession when they were teenagers. With Baby Boomers retiring, this generation will have many job and career opportunities. Generation Z wants a work environment in which they can get instant communications and access to answers.

Millennials grew up with diversity in their schools and were coached, praised, and encouraged for participation rather than accomplishment by their Baby Boomer parents. Millennials are characterized as being optimistic, willing to work and learn, eager to please, self-reliant, globally aware, and valuing of diversity and teamwork. They are also believed to have high levels of self-esteem. Millennials are a highly educated and technologically connected group who approach the workplace with the mentality, "What's in it for me?" They are the generation most likely to switch jobs and be on the lookout for new opportunities. Millennials want to understand how they fit in with their jobs, teams, and companies. They look for work that fuels their sense of purpose and makes them feel important. They do not feel close ties to their jobs or the brands to which they give their money.

YEAR BORN	GENERATION	AGES
1925–45	Traditionalists Silent Generation	>72
1946–64	Baby Boomers	53–72
1965–80	Generation X	37–52
1981–95	Millennials Generation Y Echo Boomers	22–36
1996	Generation Z	<21

Table 1.11
Generations in the
Workforce

Generation Xers grew up during a time when the divorce rate doubled, the number of women working outside the home increased, and the personal computer was invented. They were often left on their own after school (latchkey kids). They value skepticism, informality, and practicality; seek work/life balance; and dislike close supervision. They tend to be impatient and cynical. They have experienced change all of their lives (in terms of parents, homes, and cities).

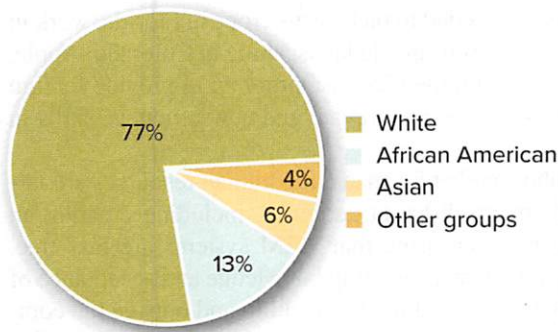
Baby Boomers, the “Me” generation, marched against the “establishment” for equal rights and an end to the Vietnam War. They value social conscientiousness and independence. They are competitive, hard working, and concerned with the fair treatment of all employees. They are often considered to be workaholics and rigid in conforming to rules. Traditionalists grew up during the Great Depression and lived during World War II. They tend to value frugality, are patriotic and loyal, adhere to rules, are loyal to employers, and take responsibility and sacrifice for the good of the company.

Members of each generation may have misperceptions of each other, causing tensions and misunderstanding in the workplace.⁹⁸ For example, Generation Xers who will be managing Generation Z employees may become irritated by having to answer Generation Z employees’ questions about why they are expected to perform a job a certain way, and by their employees’ preference for instant feedback and praise when they get work completed. Millennials may think Generation X managers are bitter, jaded, abrasive, uninterested in them, and poor delegators. In turn, their Generation X managers consider Millennials too needy for attention, demanding, and overly self-confident. Millennials might believe that Baby Boomers are too rigid and follow company rules too closely. They believe employees in the older generations have been too slow in adopting social media tools and overvalue tenure rather than knowledge and performance. Traditionalists and Baby Boomers believe that Millennials don’t have a strong work ethic because they are too concerned with work/life balance. Also, members of the younger generations may resent Baby Boomers and Traditionalists who are working longer before retiring, blocking promotions and career moves.

Although generational differences likely exist, members of the same generation are no more alike than members of the same gender or race. This means that you should be cautious in attributing differences in employee behaviors and attitudes to generational differences or expecting all employees of a generation to have similar values. Research suggests that the generations of employees have similarities as well as differences.⁹⁹ Although differences in work ethic have been found among Baby Boomers, Generation Xers, and Millennials, Millennial employees are more similar than different from other generations in their work beliefs, job values, and gender beliefs. Most employees view work as a means to more fully use their skills and abilities, meet their interests, and allow them to live a desirable lifestyle. They also value work/life balance, meaning flexible work policies are necessary to allow them to choose where and when work is performed.

Consider how Coke gives Millennial employees a voice in shaping the business, which in turn helps engage and retain them.¹⁰⁰ Millennial Voices, an employee group, helps recruit and retain top talent by creating a more entrepreneurial culture. Millennial Voices has provided valuable insights about the business and consumers. For example, they have influenced new technology pilots and on-campus recycling initiatives, employee benefits packages, flexible work policies, and a reverse mentoring program.

A Workforce of Mixed Gender, Race, and Nationality. As Figure 1.6 shows, by 2024 the workforce is expected to be 77% white, 13% African American, 6% Asian, and 4% other groups, which includes individuals of multiple racial origin, American Indian, Alaskan Native or Native Hawaiian, and other Pacific Islanders.¹⁰¹ The diversity of the

**Figure 1.6**

The U.S. Workforce,
2024

SOURCE: BUREAU of Labor Statistics, "Employment Projections, 2014–2024," News Release, www.bls.gov, accessed February 9, 2017.

workforce is expected to increase by 2024. As a result of different fertility rates and differences in immigration patterns, racial and ethnic groups will show different trends in labor force growth.

Immigration contributes to the diversity of the U.S. population and workforce. Many U.S. industries including high-technology, meatpacking, construction, farming, and service rely on immigrants to perform jobs requiring physical labor or skills not readily available in the U.S. workforce. Although a common belief is that most immigrants have rudimentary skills, the percentage of highly skilled immigrants now exceeds the percentage of low-skilled immigrants.

There is an ongoing debate in the U.S. government about the role of both legal and illegal immigration in terrorism and the reduction of job opportunities for U.S. citizens. Over 40 million people living in the United States were born in other countries, and approximately an equal number have a foreign-born parent. More than 1 million immigrants come to the United States each year, and 6 out of 10 are relatives of U.S. citizens.¹⁰² Mexico, India, and China are the leading countries of birth for lawful permanent residents or "green card" recipients, who may live and work anywhere in the United States. Another 14% come on work-related visas, some of which are available only for workers with exceptional qualifications in science, business, or the arts. The U.S. government also provides temporary visas to a limited number of highly educated workers, allowing them to work in the country for a set period of time but not to remain as immigrants. Approximately 70,000 persons have been admitted to the United States each year since 2008 as refugees (persecuted persons) from countries including Iraq, Somalia, Bhutan, Burma, China, Egypt, and Syria. Once they pass screening and are resettled in the United States, they are eligible for employment.

One key question is what is the proper amount of legal immigration into the United States that is needed to meet our economic needs? One study suggests that immigrants have helped the U.S. economy over the long term and have had little impact on wages or employment levels of U.S.-born employees.¹⁰³ In recent years, Immigration and Customs Enforcement (ICE) has focused its efforts on auditing employers to ensure they are not employing undocumented immigrants. The focus on identifying and deporting illegal immigrants is likely to continue with the added involvement of state and local law enforcement.¹⁰⁴ Regardless, many companies would face severe hardship if they were forced to no longer rely on immigrants. A low unemployment rate means that many employers are struggling to fill both full-time and seasonal skilled and unskilled jobs.¹⁰⁵ For example, the King of Texas Roofing Company has turned down projects worth millions of dollars because it can't hire enough roofers, who come primarily from Mexico. Thousands of

Mexican workers and other immigrants are needed to pick citrus crops in Florida, work in restaurants such as Tacoliscious in San Francisco, and do landscaping in Colorado. Apple, Google, and other high-tech companies rely on the U.S. visa program to provide foreign employees with specialized skills needed to design software and new products, skills in short supply among U.S. workers.

The implications of the changing labor market for managing human resources are far-reaching. Managing diversity involves many different activities, including creating an organizational culture that values diversity, ensuring that HRM systems are bias-free, facilitating higher career involvement of women, promoting knowledge and acceptance of cultural differences, ensuring involvement in education both within and outside the company, and dealing with employees' resistance to diversity.¹⁰⁶ Table 1.12 presents ways that managing cultural diversity can provide a competitive advantage. How diversity issues are managed has implications for creativity, problem solving, retaining good employees, and developing markets for the firm's products and services. To successfully manage a diverse workforce, managers must develop a new set of skills, including the following:

1. Communicating effectively with employees from a variety of cultural backgrounds
2. Coaching and developing employees of different ages, educational backgrounds, ethnicities, physical abilities, and races
3. Providing performance feedback based on objective outcomes rather than values and stereotypes that work against women, minorities, and disabled persons by prejudging these persons' abilities and talents
4. Creating a work environment that makes it comfortable for employees of all backgrounds to be creative and innovative
5. Recognizing and responding to generational issues¹⁰⁷

Diversity is important for tapping all employees' creative, cultural, and communication skills and using those skills to provide a competitive advantage as shown in Table 1.12.

Consider Microsoft's approach to diversity, which focuses on its employees, culture, suppliers, and customers.¹⁰⁸ To find the best and brightest employees, Microsoft has expanded the universities, conferences, and events from which it recruits new employees, to include the National Society of Black MBAs, the National Society of Hispanic MBAs, Out and Equal, and Recruit Military Expo. To support universities' and high schools' information technology curriculum and to develop opportunities for women and minorities, the company has formed partnerships with traditionally women's schools, historically black colleges and universities, and Hispanic-serving institutions. Also, through its DigiGirlz program and Blacks at Microsoft Minority Student Day, the company exposes diverse high school students to the high-tech work world. A diverse culture is supported several ways. Current employees can participate in resource groups including those for parents, Asians, Blacks, Hispanics and Latinos, women, the LGBTQ community, and the physically challenged. Training courses on topics such as managing diversity, how to build an inclusive culture, and understanding unconscious bias are available for all employees and managers. Microsoft offers flexible work policies to help employees balance work and life. These include resource and referral services as well as generous maternity and paternity leave policies. On the customer side, Microsoft has spent more than \$2 billion with suppliers that are minority, women, or veteran owned, or owned by persons with disabilities. Also, Microsoft is developing technology that contributes to diversity by removing barriers between people. For example, the Kinect Sign Language Translator eliminates communication barriers by enabling speech-to-sign language translation.

The bottom line is that to gain a competitive advantage, companies must harness the power of the diverse workforce. These practices are needed not only to meet employee

Table 1.12
How Managing
Cultural Diversity
Can Provide
a Competitive
Advantage

1. Cost argument	As organizations become more diverse, the cost of a poor job in integrating workers will increase. Those who handle this well will thus create cost advantages over those who don't.
2. Employee attraction and retention argument	Companies develop reputations on favorability as prospective employers for women and ethnic minorities. Those with the best reputations for managing diversity will win the competition for talent. As the labor pool shrinks and changes composition, this edge will become increasingly important.
3. Marketing argument	The insight and cultural sensitivity that diverse employees bring to the marketing effort should help the company enter new markets and develop products and services for diverse populations.
4. Creativity argument	Diversity of perspectives and less emphasis on conformity to norms of the past improves the level of creativity.
5. Problem-solving argument	Heterogeneity in decisions and problem-solving groups potentially produces better decisions through a wider range of perspectives and more thorough critical analysis of issues.
6. System flexibility argument	Greater flexibility to react to changes in customer preferences and tastes (i.e., reactions should be faster and cost less).

SOURCES: A. C. Homan, C. Buengeler, R. A. Eckhoff, W. P. van Ginkel, and S. C. Voelpel, "The Interplay of Diversity Training and Diversity Beliefs on Team Creativity in Nationality Diverse Teams," *Journal of Applied Psychology* 100 (2015), pp. 1456–67; M. E. Mor Barak, *Managing Diversity: Toward a Globally Inclusive Workplace*, 3rd ed. (Thousand Oaks, CA: Sage, 2013); T. H. Cox and S. Blake, "Managing Cultural Diversity: Implications for Organizational Competitiveness," *Academy of Management Executive*, 5 (1991), pp. 45–56; N. Lockwood, *Workplace Diversity: Leveraging the Power of Difference for Competitive Advantage* (Alexandria, VA: Society for Human Resource Management, 2005).

needs but also to reduce turnover costs and ensure that customers receive the best service possible. The implication of diversity for HR practices will be highlighted throughout this book. For example, from a staffing perspective, it is important to ensure that tests used to select employees are not biased against minority groups. From a work design perspective, employees need flexible schedules that allow them to meet nonwork needs. From a training perspective, it is clear that all employees need to be made aware of the potential damaging effects of stereotypes. From a compensation perspective, new benefits such as elder care and day care need to be included in reward systems to accommodate the needs of a diverse workforce.

EVIDENCE-BASED HR

Rohini Anand, global chief diversity officer at Sodexo, a food services and facilities management company, collected, analyzed, and shared data showing the value of her work. She conducted a study of the company's 50,000 managers showing that gender balance on teams significantly related to improved financial performance, employee engagement, and client retention. She found that teams with a male–female ratio of between 40% and 60% delivered the best results. As a result of Anand's study, Sodexo's CEO has set a goal that by 2025 at least 40% of Sodexo's 1,400 senior leaders will be women (a total of 560 women leaders). To ensure that goal is reached, 10% of senior leaders' bonuses are based on their yearly progress toward that goal.

SOURCE: Based on J. Simons, "Workplace Diversity Efforts Get a Reboot," *Wall Street Journal*, February 15, 2017, p. B5.

Consider Legal and Ethical Issues

Legal Issues. There will likely be development and debate of new and current employment laws and regulations, as well as increased emphasis on enforcing specific aspects of current laws and regulations such as those related to immigrant employment.¹⁰⁹ There are likely to be more challenges of sex and race discrimination because of lack of access to training and development opportunities that are needed for promotions to better-paying jobs or higher-level management positions. Eliminating discrimination against veterans and people with disabilities, especially among federal contractors, is likely. This is especially likely due to the expanded definition of disability under the Americans with Disabilities Act to include cancer, diabetes, epilepsy, and intellectual disabilities.

As a result of the growing gig economy, more legal challenges related to whether workers are misclassified as independent contractors rather than full-time employees (who are eligible for overtime pay, unemployment, and worker's compensation) are likely. Such a case was brought against ride-sharing services Uber and Lyft in California and Massachusetts and settled out of court, but cases in other states are likely.¹¹⁰ However, given the current political environment, it is also possible that government regulations might loosen the distinction between full-time employment and independent contractors, creating a middle ground that could, for example, allow companies to contribute to employees' health care costs without having to pay for overtime.

Universal health care coverage will continue to be debated in Congress. The plan they decide on will affect the availability of health care for employees, the conditions and dependents that will be covered, and out-of-pocket charges and employer costs. Regardless, in their efforts to reduce employee health care insurance costs, companies will continue to offer incentives for employees to participate in wellness programs and providing penalties if they do not. Wellness programs typically include smoking cessation, exercise, dieting, and submitting to biometric screening tests (e.g., blood tests) to detect illness or risk of illness such as heart attacks. However, wellness programs are coming under scrutiny. The Equal Employment Opportunity Commission has issued preliminary rules about when the penalties or rewards related to participating in wellness programs are too extreme and may violate the Americans with Disabilities Act.

Under the Trump administration, immigration will come under increased scrutiny, to protect both national security and American jobs. Scrutiny of companies that employ unlawful immigrants or abuse laborers will face significant penalties. Companies can face criminal charges if immigration and customs officials can show that they knowingly employed undocumented and illegal immigrants. The number of company audits conducted by ICE has increased over the past several years, resulting in over \$10 million in fines.

The number of workers eligible to enter the United States under different visa programs may be reconsidered, and employers may have to pay a fine or tariff for employing foreign workers. Bans on immigration from countries suspected of harboring terrorists are possible. Legislation affecting immigration will be fiercely debated because of its potential impact on business and the diversity of the United States. For example, leaders in many companies, but especially those in technology industries such as Apple, Microsoft, and Facebook, have been the most vocal to criticize legislation intended to reduce the possibility of terrorist attacks by banning people from seven Muslim-majority countries (Iran, Iraq, Libya, Somalia, Sudan, Syria, and Yemen) from entering the United States.¹¹¹ Their criticisms are based on their personal perspective, business needs, and business values. The leaders personally believe that immigration has always played and will continue to play an important role in the United States. Many businesses, even those not necessarily in the technology industry, need skilled foreign talent to fill engineering

roles, help design innovative products and services, and create new business start-ups. Finally, most companies, such as Coca-Cola and Ford Motors, have core values that include respect for all people and commitment to diversity and inclusion which run counter to the ban.

The publication of classified documents by WikiLeaks, Wall Street insider trading probes, and data breaches of employee data have resulted in companies more carefully scrutinizing data-security practices and increased concerns about protecting intellectual property. For example, a Boeing employee who could not format a spreadsheet sent it to his spouse for help, causing a security breach that could have exposed ID numbers, accounting codes, and Social Security numbers for 36,000 employees.¹¹² Data-security concerns will likely influence HR practices related to performance management such as the use of electronic monitoring and surveillance of knowledge workers. We may see more litigation related to employee privacy rights and intellectual property rights as a result of companies terminating employees or taking disciplinary action against them for data-security breaches, discussing employment practices using social media, or sharing or stealing intellectual property for personal gain. Also, issues regarding the confidentiality and security of employees' health care information will receive more attention as companies provide employees with wearables (such as Fitbits) and apps as part of wellness initiatives to track what they eat and drink, their heart rate, and physical activity. Employers who provide employees with wearables as part of wellness programs are not allowed by health privacy laws to view any single employee's health statistics.

Ethical Issues. Many organizations have engaged in serious ethical misconduct, including General Motors (failure to fix and notify customers about faulty ignition switches), the U.S. Department of Veterans Affairs (concealed patient wait times), the U.S. Secret Service (security breaches involving partying and prostitutes), and Takata (installed faulty airbags). Many decisions related to managing human resources are characterized by uncertainty. **Ethics** can be considered the fundamental principles of right and wrong by which employees and companies interact.¹¹³ These principles should be considered in making business decisions and interacting with clients and customers. Ethical, successful companies can be characterized by four principles shown in Figure 1.7.¹¹⁴ First, in their relationships with customers, vendors, and clients, these companies emphasize mutual benefits. Second, employees assume responsibility for the actions of the company. Third, such companies have a sense of purpose or vision that employees value and use in their day-to-day work. Finally, they emphasize fairness; that is, another person's interests count as much as their own. HR and business decisions should be ethical, but that is not always the case. A recent survey of employees found that 41% had witnessed some form of unethical conduct at their workplace.¹¹⁵ This probably helps explain public perception of business ethics: 32% rated business executives' honesty and ethics standards as low or very low.¹¹⁶ It is important to note that *ethics* refers to behavior that is not clearly right or wrong. *Compliance* means that the company is not violating legal regulations. But a company can be compliant and still have employees engaging in unethical practices.

The **Sarbanes-Oxley Act of 2002** sets strict rules for corporate behavior and sets heavy fines and prison terms for noncompliance: Organizations are spending millions of dollars each year to comply with regulations under the Sarbanes-Oxley Act, which imposes criminal penalties for corporate governing and accounting lapses, including retaliation against whistle-blowers who report violations of Securities and Exchange Commission (SEC) rules.¹¹⁷ These Due to Sarbanes-Oxley and SEC regulations that impose stricter standards for disclosing executive pay, corporate boards are paying more attention to executive pay

Ethics

The fundamental principles of right and wrong by which employees and companies interact.

Sarbanes-Oxley Act of 2002

A congressional act passed in response to illegal and unethical behavior by managers and executives. The act sets stricter rules for business, especially related to accounting practices—including requiring more open and consistent disclosure of financial data and the CEO's assurance that the data are completely accurate—and provisions that affect the employee–employer relationship (e.g., development of a code of conduct for senior financial officers).

Figure 1.7

Principles of Ethical Companies



as well as issues such as leadership development and succession planning.¹¹⁸ This has resulted in an increase in the number of HR executives and individuals with HR expertise who are being asked to serve on corporate boards to provide data and analysis. For example, a CEO or chief financial officer (CFO) who falsely represents company finances may be fined up to \$1 million and/or imprisoned for up to 10 years. The penalty for willful violations is up to \$5 million and/or 20 years of imprisonment. Sarbanes-Oxley requires CEOs and CFOs to certify corporate financial reports, prohibits personal loans to officers and directors, and prohibits insider trading during pension fund blackout periods.¹¹⁹ A “blackout” is any period of more than three consecutive business days during which the company temporarily stops 50% or more of company plan participants or beneficiaries from acquiring, selling, or transferring an interest in any of the company’s equity securities in the pension plan. The law also requires retention of all documents relevant to a government investigation. Because of the burden it places on companies the Sarbanes-Oxley Act will be carefully scrutinized, and perhaps changed by Congress or President Trump.

Sarbanes-Oxley has a number of provisions that directly affect the employer–employee relationship.¹²⁰ Whistleblowers are individuals who have turned in the company or one or more of its officers for an illegal act. The act prohibits retaliation against whistle-blowers and government informants. The act also requires that publicly traded companies disclose whether they have a code of ethics.¹²¹ Other federal guidelines such as the Federal Acquisition Regulation also require or provide incentives to encourage all businesses to adopt codes of conduct, train employees on these codes, and create effective ways to audit and report ethical and unethical behavior. This means that companies, with human resources taking the lead, should develop codes of conduct that clearly define ethics and professional responsibility. HR professionals, along with other top-level managers, usually play a key role in helping conduct ethics audits, develop ethical codes of conduct, and respond to ethics violations. Guidelines for disciplinary actions for employees guilty of unethical behavior and conduct need to be developed. Managers and employees will need to be trained on ethics policies to ensure that business processes and procedures are correctly followed. HR professionals will need to document the fact that employees have

received these policies and have attended training to ensure their compliance with the law. Because of the potential liability for retaliation in the context of discrimination and harassment, policies should include assurances that an employee will not be retaliated against for making a complaint or for serving as a witness. Executive compensation programs will need to be monitored to ensure that the program is in compliance with provisions related to personal loans and the sale of pension funds during blackout periods.

Consider the policies and practices that companies are using to help ensure an ethical workplace.¹²² Dimension Data's employees participate in a half-day ethics program discussing how they would respond to different ethical dilemmas that occur at work. Southern Company invited a convicted felon to speak to employees about how a good person can violate ethics. Before his conviction, which resulted in a five-year prison term, the felon was CFO for a health care company. Eaton Corporation includes its ethics principles on its website. Examples of the company's principles include obeying the law, avoiding conflicts of interest, acting with integrity, protecting assets and information, and respecting human rights. Eaton Corporation's employees receive regular training on how to apply ethical principles to their daily work. The Global Ethics and Compliance Office provides ethics training programs and communications designed to ensure that Eaton's ethics and values are integrated into its business practices on a consistent basis around the world. Xerox conducts regular ethics surveys, which ask employees if they have experienced an ethics violation. To receive promotions, managers are expected to take an active role in supporting Xerox's ethics strategy. Managers review their previous year's performance, create action plans as to how they plan to improve the ethics policy (such as with more training or better communications), and are expected to chair their local ethics committee. All employees are encouraged to report ethics violations or questions to the ethics office; they can do so face-to-face, using an ethics hotline, or by sending them to an e-mail address. Xerox's high ethical standards have won it recognition as one of the world's most ethical companies. This has helped Xerox to recruit high-quality employees, especially in global locations where business decisions are not transparent to employees and ethics are frequently violated.

Human resource managers must satisfy three basic standards for their practices to be considered ethical.¹²³ First, HRM practices must result in the greatest good for the largest number of people. Second, employment practices must respect basic human rights of privacy, due process, consent, and free speech. Third, managers must treat employees and customers equitably and fairly.

To call attention to the important role of ethics in the workplace, throughout the book we include "Integrity in Action" boxes that highlight the good (and bad) decisions related to ethical HR practices made by company leaders and managers. The "Integrity in Action" box in this chapter shows how the chief human capital officer at Amtrak changed the HR function and helped revitalize the business.

COMPETING THROUGH GLOBALIZATION

Companies are finding that to survive they must compete in international markets as well as fend off foreign corporations' attempts to gain ground in the United States. To meet these challenges, U.S. businesses must develop global markets, use their practices to improve global competitiveness, and better prepare employees for global assignments.

Every business must be prepared to deal with the global economy. Global business expansion has been made easier by technology. The Internet allows data and information to be instantly accessible and sent around the world. The Internet, e-mail, social networking, and video conferencing enable business deals to be completed between companies thousands of miles apart.

LO 1-4

Discuss what companies should do to compete in the global marketplace.

INTEGRITY IN ACTION



HR is Not Just a Back-Office Function

Barry Melnkovic became Amtrak's first-ever chief human capital officer in 2016. His challenge was to energize and reshape an HR function that was broken. Human resources at Amtrak was primarily transactional, was reactive rather than proactive, lacked incentives to attract top talent, and had very costly employee benefits. Multiple audits had found major deficiencies in HR structure, programs, and processes.

Melnkovic didn't just come up with his own solutions and try to implement them. He spent hours and days traveling on trains discussing with employees and customers their experiences with Amtrak, asking for ideas about how Amtrak could improve, and familiarizing himself with the numerous jobs necessary for trains to run on time and safely (by doing some of them himself). His vision was to implement a Human Capital Strategic Plan. To do so he traveled to host meetings with Amtrak board members, managers, and employees to describe and educate others about his plan and get their input. His ideas included making sure human resources was involved in strategy development and execution, creating a

more results-driven culture, and redoing Amtrak's rewards structure.

Many observers were skeptical that Melnkovic could bring about much-needed changes. Within the HR function, he made the tough decision to replace HR team members with others who were more "bottom-line focused" and were motivated to make a difference. He created a new role to focus specifically on human capital issues such as performance management and succession planning. He created a team—including himself, the CEO, and leaders from operations, information technology, marketing, and sales—to apply lean and Six Sigma techniques to spark continuous improvement in the company. This resulted in reducing the time to fill vacant positions and speeding up processes through which employees file for family and medical leave. Also, the HR function became the only department at Amtrak to receive ISO certification. Melnkovic also created a learning council with company leaders that helped design a customer experience training program designed to improve Amtrak's customers' experience. Finally, he worked with his HR team to change compensation and

benefits. He introduced incentives for nonunion employees based on their performance as well as yearly awards to recognize individual and team achievements. Previously, company and individual performance were not considered in annual wage increases. He changed pension and retiree health plans that will save Amtrak more than \$1.4 billion over 20 years. These changes were not popular with employees, but to help alleviate concerns, Melnkovic visited numerous Amtrak locations to explain the changes, listen to employees, and answer questions. He followed up his visits with webinars, notes to employees, and other corporate communications.

DISCUSSION QUESTIONS

1. What competencies and behaviors shown in Figure 1.3 were most important for Melnkovic's success in rebuilding human resources and providing value to Amtrak's business?
2. How did he build credibility and demonstrate integrity? Explain your answer.

SOURCE: Based on M. McGraw, "Back on Track," *Human Resource Executive*, October 2016, 14–16, www.careers.amtrak.com, accessed March 1, 2017.

Globalization is not limited to any particular sector of the economy, product market, or company size.¹²⁴ Companies without international operations may buy or use goods that have been produced overseas, hire employees with diverse backgrounds, or compete with foreign-owned companies operating within the United States.

Businesses around the world are attempting to increase their competitiveness and value by increasing their global presence, often through mergers and acquisitions.

Entering International Markets

Many companies are entering international markets by exporting their products overseas, building manufacturing facilities or service centers in other countries, entering into alliances with foreign companies, and engaging in e-commerce. One estimate is that developing economies and emerging markets such as those found in the BRIC nations (Brazil, Russia, India, and China) are responsible for 19% of the world's economy.¹²⁵ Other countries such as Indonesia, Malaysia, Kenya, Colombia, and Poland have a growing middle class, strong infrastructure, business-friendly regulations, and stable governments and are likely new emerging markets. The importance of globalization is seen in recent hiring patterns of large U.S. multinational corporations that have increased their overseas workforces, particularly in Asia.¹²⁶ China is the world's largest auto market, with over 21 million cars sold in 2015. German brands Audi, BMW, and Mercedes-Benz are the top-selling luxury brands in China, but U.S. automakers are trying to take away some of their market share.¹²⁷ Ford Motor's Lincoln brand opened 3 showrooms in China in 2014, and by the end of 2016 they planned to have 60. Lincoln discovered that the customer focus was lacking in the Chinese market. So they hired Mandarin Oriental staff to train showroom salespeople in customer service. General Motors opened a Cadillac factory in Shanghai, its first plant built to support the brand in China. The plant can produce over 150,000 Cadillacs each year, including a sedan that it plans to export to the United States. General Motors anticipates that luxury car sales could reach 3.5 million vehicles each year by 2020, making China one of the world's largest market for luxury cars. Yum! Brands, parent company of KFC, Pizza Hut, and Taco Bell, has over 7,000 stores in China. Globally, Yum! Brands opened over 2,000 restaurants in 2016, with 600 of those in China, contributing over 50% of the company's profits.

Global companies are struggling to find and retain talented employees, especially in emerging markets. Companies are moving into China, India, eastern Europe, the Middle East, Southeast Asia, and Latin America, but the demand for talented employees exceeds supply. Also, companies often place successful U.S. managers in charge of overseas operations, but these managers lack the cultural understanding necessary to attract, motivate, and retain talented employees. To cope with these problems, companies are taking actions to better prepare their managers and their families for overseas assignments and to ensure that training and development opportunities are available for global employees. Cross-cultural training prepares employees and their families to understand the culture and norms of the country they are being relocated to and to return to their home country after the assignment. Cross-cultural training is discussed in Chapter 7. For example, McDonald's has designated Russia as its high-growth market, with more than a dozen restaurants in Siberian towns and plans to open more.¹²⁸ When a new McDonald's opened in Tomsk, it served 6,000 customers in the first day of operations. McDonald's global sales in 2016 were the strongest in five years, while the U.S. market was struggling. To train future managers in store operations, leadership, and staff management skills needed for global expansion to be successful, McDonald's has seven Hamburger Universities in the United States and abroad, including campuses in Oak Brook, Illinois; Sydney; Munich; London; Tokyo; São Paulo; and Shanghai. All provide training materials and tools in different languages and cultures.

To successfully compete with its Indian rival, Ola, Uber is challenged to recruit and train a million new drivers in India, where most people have never driven or own a car, and few potential drivers understand English or how to use an app.¹²⁹ The stakes are huge given the market size: India has 1.2 billion people. Uber has recruited Indians driving taxis, buses, and rickshaws; private drivers working for companies and families; and individuals who have never driven before. To be successful in India, Uber has to teach

new drivers how to speak politely, dress well, and follow traffic rules. They have to check to ensure recruits have necessary licenses and other documents, teach them how to use the Uber app, and learn about online banking so that they can see if they have been paid. Uber also helps drivers lease automobiles. Uber currently has 400,000 drivers, but it wants to add 1 million in the next two years.

IBM obtains more than two-thirds of its revenue from outside the United States and is seeking to build team leadership in order to compete in emerging markets around the world. IBM's Corporate Service Program has donated the time and service of about 600 employees for over 1,000 projects in countries such as Turkey, Romania, Ghana, Vietnam, the Philippines, and Tanzania.¹³⁰ The goal of the program is to develop a leadership team that learns about the needs and culture of these countries while providing valuable community service. For example, eight IBM employees from five countries traveled to Timisoara, Romania. Each employee was assigned to help a different company or nonprofit organization. One software-development manager helped GreenForest, a manufacturer of office, hotel, school, and industrial furniture, reach its goal of cutting costs and becoming more efficient by recommending computer equipment and systems needed to increase production and exports to western Europe. Another employee worked with a nonprofit organization that offers services to disabled adults. Besides benefiting the companies, the employees have also found that the experience has helped them understand cultural differences, improve their communication and teamwork skills, and gain insights on global marketing and strategy. The "Competing through Globalization" box shows how several global companies are preparing employees for global assignments.

Offshoring and Reshoring

Offshoring

A special case of outsourcing, in which the jobs that move leave one country and go to another.

Offshoring refers to the exporting of jobs from developed countries, such as the United States, to countries where labor and other costs are lower. India, Canada, China, Russia, Ireland, Mexico, Brazil, and the Philippines are some of the destination countries for offshored jobs. Why are jobs offshored?¹³¹ The reasons given for offshoring factory and other jobs often include lower labor costs and the availability of a skilled workforce with a strong work ethic. For example, Rexnord Corporation plans to close its industrial bearings factory in Indiana and move the jobs to Mexico in order to save \$30 million annually.¹³² Rexford still employs more than half of the company's workforce in the United States and has operations in Europe, Asia, and Africa.

Reshoring

Moving jobs from overseas to the United States.

However, rather than offshoring work, **reshoring**, or the return of jobs to the United States, is becoming more common. There are several reasons for this, including higher product shipping costs, fear of supply chain disruptions due to natural disasters and political instability, quality concerns, and customer preference for U.S.-made products.¹³³ Also, rising labor costs in some countries, such as China, are becoming more comparable to those in the United States. Finally, some countries' local standards for safety, health, and working conditions may be substantially lower than those in the United States, resulting in negative publicity and turning off potential customers. For example, Hanesbrands has added workers to a plant in North Carolina.¹³⁴ Socks are knitted there and then sent to a plant in El Salvador that sews, dyes, and packages the socks. Although El Salvador has the advantage on labor costs, electricity costs in North Carolina are much lower. Also, having plants in both places provides a backup in case of problems. Peds Legwear also makes socks in North Carolina, allowing the company to avoid import taxes, cut shipping costs, and respond faster to shifts in demand. Plus, selling socks made in the United States was a major reason Walmart contracted with the company.

COMPETING THROUGH GLOBALIZATION



Effectiveness in Global Business Requires More Than Just a First-Class Ticket

For companies that conduct business around the world, employees need to go beyond just understanding cultural differences. Employees have to adapt and adjust their behavior to effectively work and live in the host culture. This means that employees and their families need to be prepared for international assignments. Iberdrola USA, a global company with 5,000 U.S. employees, is in the electricity transmission and generation business. Iberdrola sends U.S. employees to work at its locations in Mexico, Scotland, Brazil, and Britain and other European Union countries. Also, it brings employees to the United States to work for two to three years.

To prepare employees for international assignments, Iberdrola pays training consultants \$1,500 to \$3,000 per day to teach employees language and cultural basics, such as understanding preferences for personal space. The company also

has an exchange program in which children of U.S. employees temporarily stay with host families overseas and vice versa.

At Boeing, the aerospace company with employees in 28 countries, employees and their families going on an international assignment are provided with one-on-one cultural sensitivity training and orientation. Boeing also provides “lunch and learn” cultural talks and rotation programs that allow overseas staff to work up to nine months in the United States.

For companies with a global presence, developing global leaders who can be effective with employees from different cultures and countries is essential to their success. Qualcomm, the semiconductor and telecommunications company, helps leaders prepare for global assignment by matching them with a mentor who has expertise about the country where the job is located. L’Oreal, known for its cosmetics,

asks its leaders to complete a cultural assessment that gives them information about how their leadership style would be seen in different countries. L’Oreal uses this assessment to provide experiential-based learning, such as overseas assignments and serving on a project team including members from around the world.

DISCUSSION QUESTIONS

1. What should be included in programs designed to prepare employees for global assignments?
2. Would this preparation differ for business leaders? Explain.
3. Why is it important for employees’ families to receive training, too?

SOURCE: Based on B. Hassell, “Are You Developing Global Leaders?” *Chief Learning Officer*, August 2016, 26–31, 52; A. Whyte, “How to Develop Global Leaders Early,” *Chief Learning Officer*, August 2015, 38–41, 47; R. Chebium, “A Common Language: Training across Borders,” *HR Magazine*, January/February 2015, pp. 52–58.

COMPETING THROUGH TECHNOLOGY

Technology has reshaped the way we play, shop, communicate, and plan our lives, and where we work. Consider these statistics: Roughly 84% of U.S. households have a computer (desktop, laptop, tablet, or smartphone) and 75% have Internet access. Some 60% visit Google during the week, and 43% have a Facebook page.¹³⁵ Most of us (especially Americans) are so attached to our smartphones for access to apps, social media, and the Internet that the devices are with us day and night: 41% check their phone a few times each hour, and 40% report they would feel significant anxiety if their smartphone went missing for a day. Using Facebook, Twitter, LinkedIn, and other social networking tools available on the Internet accessed through smartphones, notebooks, or personal computers, companies can connect with job candidates and employers can connect with friends, family, and co-workers.

LO 1-5

Identify how social networking, artificial intelligence, and robotics is influencing human resource management.

Social networking

Websites and blogs that facilitate interactions between people.

Consider Applications of Social Networking, Artificial Intelligence, and Robotics

Advances in sophisticated technology along with reduced costs for the technology are changing many aspects of human resource management. Specifically, companies are using or considering using social networking, artificial intelligence, and robotics.

Social Networking. Technological advances in electronics and communications software have made possible mobile technology such as personal digital assistants (PDAs), iPads, and iPods and enhanced the Internet by developing enhanced capability for social networking. **Social networking** refers to websites such as Facebook, Twitter, and LinkedIn, and wikis and blogs that facilitate interactions between people usually around shared interests. Table 1.13 shows some of the potential issues that can be addressed by using social networking.¹³⁶ In general, social networking facilitates communication, decentralized decision making, and collaboration. Social networking can be useful for connecting to customers and valuable for busy employees to share knowledge and ideas with their peers and managers with whom they may not have much time to interact face-to-face on a daily basis. Employees, especially young Millennial or Generation Y workers, have used social networking tools for much of their lives and see them as valuable tools for both their work and nonwork lives.

Despite the potential advantages of social networking, many companies are uncertain whether they should embrace it.¹³⁷ They fear that social networking will result in employees wasting time or offending or harassing their co-workers. Other companies believe that the benefits of using social networking for HR practices and allowing employees to access social networks at work outweigh the risks. They trust employees to use social networking productively and are proactive in developing policies about personal use and training employees about privacy settings and social network etiquette. They realize that employees will likely check their Twitter, Facebook, or LinkedIn accounts but ignore it

Table 1.13

Potential Uses of Social Networking

ISSUES	USE
Loss of expert knowledge due to retirement	Knowledge sharing, capturing, and storing
Employee engagement	Collect employees' opinions, chat with employees
Identify and promote employee expertise	Create online expert communities
Promote innovation and creativity	Encourage participation in online discussions
Reinforce learning	Share best practices, applications, learning, points, links to articles and webinars
Employees need coaching and mentoring	Interact with mentors and coaching peers
Need to identify and connect with promising job candidates	Share job openings, respond to candidates' questions, cultivate a pool of potential employees

SOURCES: Based on L. McFarland and R. Ployhart, "Social Media: A Contextual Framework to Guide Research and Practice," *Journal of Applied Psychology* 100 (2015), pp. 1653–77; D. Robb, "Cultivating Connections," *HR Magazine*, September 2014, pp. 65–66; M. McGraw, "Managing the Message," *Human Resource Executive*, December 2014, pp. 16–18; P. Brotherson, "Social Networks Enhance Employee Learning," *T + D*, April 2011, pp. 18–19; M. Derven, "Social Networking: A Frame for Development," *T + D*, July 2009, pp. 58–63; M. Weinstein, "Are You Linked In?" *Training*, September/October, 2010, pp. 30–33.

unless it is interfering with completing their work. In some ways, social networking has become the electronic substitute for daydreaming at one's desk or walking to the break room to socialize with co-workers.

Artificial Intelligence & Robotics. Artificial intelligence, robotics, tracking systems, radio frequency identification, and nanotechnology are transforming work.¹³⁸ Technology has also made it easier to monitor environmental conditions and employees and operate equipment. Driverless cars, self-driving trucks at iron ore mines that need no human operators, and computers that perform legal research are recent advances in automation.

Artificial intelligence is a technology that simulates human thinking. It works through queries that allow it to learn from data over time so that it can identify trends and patterns that influence future searches and suggestions. Artificial intelligence is in use at home and in the workplace.¹³⁹ Artificial intelligence has provided us with personal assistants such as Apple's Siri or Amazon's Alexa that we can give orders to, such as to make a purchase or play your favorite music. In the workplace, IBM has teamed up its artificial intelligence (called Watson) with H&R Block to help clients prepare their tax returns and maximize their tax refunds. Watson has also been used in health care to provide cancer diagnoses, the law profession to conduct legal research, and in service industries to answer customers' questions.

Artificial intelligence
Technology that can
think like a human

Robots are being used in service in manufacturing.¹⁴⁰ Heasy, a robot with eyes, can help you find your way through a hotel or resort. Airport Guide Robot can answer airline passengers' questions in English, Chinese, Japanese, and Korean; scan a ticket; and give directions. Robots at Whirlpool's dryer factory snap pictures to scan defects. At BMW's auto plant they help install doors and windshields. On the shop floor, robots can work alongside employees, freeing them from having to perform repetitive, physically demanding tasks so that they can perform more important and knowledge-intensive work. Robots can help companies save money because they can work more efficiently and lower labor costs, but they still can't perform many important tasks. For example, unlike humans, robots have been unable to make the distinctions between fabric types and weights and irregular clothes sizes that are needed to neatly fold clothes.

Wearables are just beginning to be developed and used for training and performance support solutions. Wearable Intelligence provides smart eyewear technology and camera technology that gives employees hands-free, voice-activated access to procedures and checklists and live access to experts using tablet computers. These technologies allow data and live video sharing, the opportunity to review best-practice videos before or during the performance of complex procedures and operations, and real-time notifications and alerts.¹⁴¹ For example, an operator who might be working on a remote oil rig or a surgeon in a sterile operating room can share live video with experts and get their advice needed to fix a broken valve or complete a medical procedure, while remaining focused on the equipment or patient. To understand whether personal interactions between employees made a difference, Bank of America asked call center employees to wear badges that contained sensors to record their movements and tone of their conversations.¹⁴² The data showed that the most productive employees belonged to cohesive teams and they spoke frequently to their peers. To get employees to interact more, the bank scheduled employees for group breaks. Productivity increased more than 10% as a result.

Use HRIS, Mobile Devices, Cloud Computing, and HR Dashboards

Companies continue to use human resource information systems to store large quantities of employee data including personal information, training records, skills, compensation

Human resource information system (HRIS)

A system used to acquire, store, manipulate, analyze, retrieve, and distribute information related to human resources.

Mobile devices

Equipment such as smartphones and tablet computers that provide employees with anytime, anywhere access to HR applications and other work-related information.

Cloud computing

A computing system that provides information technology infrastructure over a network in a self-service, modifiable, and on-demand model.

HR dashboard

HR metrics such as productivity and absenteeism that are accessible by employees and managers through the company intranet or human resource information system.

rates, absence records, and benefits usages and costs. A **human resource information system (HRIS)** is a computer system used to acquire, store, retrieve, and distribute information related to a company's human resources.¹⁴³ An HRIS can support strategic decision making, help the company avoid lawsuits, provide data for evaluating policies and programs, and support day-to-day HR decisions. Hilton Worldwide is giving managers access to talent data so that they can integrate it with business data to make more effective and strategic decisions about talent and performance.¹⁴⁴ This allows managers to perform workforce planning by seeing the gaps between workforce projections and available supply of staff or projected turnover and modeling different scenarios.

Mobile devices refer to smartphones and tablet computers. Mobile devices are increasingly being used to provide employees with anytime and anywhere access to HR applications and other work-related information. For example, at Rackspace, employees can use their devices to check their pay stubs, bonus reports, and time cards, and share knowledge.¹⁴⁵ At Biogen, salespersons can access e-learning modules on their tablets. PepsiCo has a mobile-accessible career site. In the first year of using the recruitment app, the company found 150 job candidates who started an employment application each month. The "Competing through Technology" box shows how Verizon is using social networking tools and mobile devices to support its products and provide customer service through employee training, collaboration, and performance support.

"Cloud computing" allows companies to lease software and hardware and employees don't even know the location of the computers, databases, and applications they are using (they are in the "cloud"). **Cloud computing** refers to a computing system that provides information technology infrastructure over a network in a self-service, modifiable, and on-demand model.¹⁴⁶ In fact, many companies have moved their HRIS to the cloud or are considering doing so in the next few years.¹⁴⁷ Clouds can be delivered on-demand via the Internet (public cloud) or restricted to use by a single company (private cloud). Cloud computing gives companies and their employees access to applications and information from mobile devices rather than relying solely on personal computers. It also allows groups to work together in new ways, can make employees more productive by allowing them to more easily share documents and information, and provides greater access to large company databases. This means that tools for conducting workforce analytics using metrics on turnover, absenteeism, and performance, as well as social media and collaboration tools such as Twitter, blogs, Google documents, and YouTube videos will be more easily accessible and available for use. Cloud computing also can make it easier for employees to access training programs from a variety of vendors and educational institutions. Siemens has a cloud computing system for its more than 400,000 employees who work in 190 countries. This allowed Siemens to standardize its global recruitment and development processes into a single system using the cloud.¹⁴⁸

More sophisticated systems extend management applications to decision making in areas such as compensation and performance management. Managers can schedule job interviews or performance appraisals, guided by the system to provide the necessary information and follow every step called for by the procedure.¹⁴⁹ One of the most important uses of Internet technology is the development of HR dashboards. An **HR dashboard** is a series of indicators or metrics that managers and employees have access to on the company intranet or HRIS. The HR dashboard provides access to important HR metrics for conducting workforce analytics. HR dashboards are important for determining the value of HR practices and how they contribute to business goals. As a result, the use of dashboards is critical for evidence-based HR discussed earlier in the chapter. For example, Cisco Systems views building talent as a priority, so it has added to its dashboard of people measures a metric to track how many people move and the reasons why.¹⁵⁰ This allows Cisco to identify divisions that are developing new talent.

COMPETING THROUGH TECHNOLOGY



Connectiveness and Mobility Enhance HR Practices

Verizon uses social networking tools and mobile devices to train employees, interact with customers, and support new products and devices. Device Blog, Device Forums, and Learning Communities help ensure that employees are ready to support customers when new products and devices are introduced to the market; they also engage Verizon's multigenerational workforce and facilitate peer-to-peer learning. Device Blog makes available information and updates on wireless devices, FAQs (frequently asked questions), how-to-videos, and troubleshooting tips. Device Forums enable retail employees to learn from peers and product manufacturers. Employees can ask each other questions, share issues, post tips, make suggestions, and access product experts. Learning Communities are accessed through the Device Blog. They include video blogs, message boards, links to online training modules, and product demonstrations. In addition to these tools, employees have access to My Network for collaborating with their peers,

knowledge and document sharing, and creating working groups. Some instructors also use it for posting supplemental content for learners to use.

Best Buy uses an app-based training tool known as Gravity. Gravity allows employees to use any smart device to scan a product's UPS or QR code, which provides access to short training videos and important product information.

Employees at retailer Kohl's post messages, photographs, and videos using Twitter (#lifeat-kohls), Instagram, and Facebook. Postings brag about taking part in community events, and videos show employees at work demonstrating their folding skills or merchandise displays. In stores and distribution centers, large video screens scroll these postings. This openness to employees using social media runs counter to many companies' viewpoint that it can cause problems for the company's image, wastes time at work, and can bring legal challenges such as union organizing or the posting of trade secrets. But through listening sessions designed to

help develop a plan to help Kohl's return to its days as a thriving retailer, Millennial employees expressed that they wanted to talk more on Facebook and Twitter about what they did at work. Recognizing that engaging these employees was important for providing customers with a better shopping experience as well as enhancing the brand image, Kohl's created a more open social media policy. Social media has connected employees to each other, creating a greater community feel; allowed managers to better understand what employees were thinking and doing; and gotten the brand in front of consumers.

DISCUSSION QUESTION

1. What are some of the potential disadvantages of using social networks and mobile devices for HR practices?

SOURCES: Based on "Best Buy: Gravity," *Training*, January/February 2017, p. 102; W. Bunch, "Social Turnaround," *Human Resource Executive*, November 2016, p. 12–15; J. Salopek, "Good Connections," *T + D*, October 2014, pp. 48–50.

Consider High-Performance Work Systems and Virtual Teams

New technology causes changes in skill requirements and work roles and often results in redesigning work structures (e.g., using work teams).¹⁵¹ **High-performance work systems** maximize the fit between the company's social system (employees) and its technical system.¹⁵² For example, computer-integrated manufacturing uses robots and computers to automate the manufacturing process. The computer allows the production of different products simply by reprogramming the computer. As a result, laborer, material handler, operator/assembler, and maintenance jobs may be merged into one position. Computer-integrated manufacturing requires employees to monitor equipment

High-performance work systems

Work systems that maximize the fit between employees and technology.

LO 1-6

Discuss human resource management practices that support high-performance work systems.

Virtual teams

Teams that are separated by time, geographic distance, culture, and/or organizational boundaries and rely exclusively on technology for interaction between team members.

and troubleshoot problems with sophisticated equipment, share information with other employees, and understand the relationships between all components of the manufacturing process.¹⁵³

Besides changing the way that products are built or services are provided within companies, technology has allowed companies to form partnerships with one or more other companies. **Virtual teams** refer to teams that are separated by time, geographic distance, culture, and/or organizational boundaries and that rely almost exclusively on technology (e-mail, Internet, videoconferencing) to interact and complete their projects. Virtual teams can be formed within one company whose facilities are scattered throughout the country or the world. A company may also use virtual teams in partnerships with suppliers or competitors to pull together the necessary talent to complete a project or speed the delivery of a product to the marketplace. For example, Art & Logic software developers all work remotely from across the United States and Canada from home offices, rented office space, or at a co-working facility.¹⁵⁴ Their clients represent a diverse set of industries, including education, aerospace, music technology, consumer electronics, entertainment, and financial services. The project teams work on the most unusual and difficult problems, which developers at other companies have failed to solve. Art & Logic tries to accommodate the unique schedule and work-style requirements of its developers, but its work is highly collaborative within project teams. Every project consists of at least a project manager/developer and has a maximum of five to seven developers. Teams use Google Apps for Business for sharing documents and communicating (both within the team and with clients).

Human resource management practices that support high-performance work systems are shown in Table 1.14. The HRM practices involved include employee selection, work design, training, compensation, and performance management. These practices are designed to give employees skills, incentives, knowledge, and autonomy. Research studies suggest that high-performance work practices are usually associated with increases in productivity and long-term financial performance.¹⁵⁵ Research also suggests that it is more effective to improve HRM practices as a whole, rather than focus on one or two isolated practices (such as the pay system or selection system).¹⁵⁶ There may be a best HRM system, but whatever the company does, the practices must be aligned with each other and be consistent with the system if they are to positively affect company performance.¹⁵⁷ We will discuss this alignment in more detail in Chapters 2 and 16.

Employees often have responsibility for hiring and firing team members and can make decisions that influence profits. As a result, employees must be trained in principles of employee selection, quality, and customer service. They need to understand financial data so that they can see the link between their performance and company performance.

In high-performance work systems, previously established boundaries between managers and employees, employees and customers, employees and vendors, and the various functions within the company are abandoned. Employees, managers, vendors, customers, and suppliers work together to improve service and product quality and to create new products and services. Line employees are trained in multiple jobs, communicate directly with suppliers and customers, and interact frequently with engineers, quality experts, and employees from other functions.

Consider how HRM practices support high-performance work systems at both small and large companies.¹⁵⁸ HindlePower is a manufacturer of battery chargers. Most of HindlePower's 75 employees work in the factory as assemblers. There is no time clock. Employees do not need to punch in or out and there are no rules for time off.

Table 1.14

How HRM Practices Support High-Performance Work Systems

Staffing	• Employees participate in selecting new employees, e.g., peer interviews.
Work design	• Employees understand how their jobs contribute to the finished product or service. • Employees participate in planning changes in equipment, layout, and work methods. • Work may be organized in teams. • Job rotation is used to develop skills. • Equipment and work processes are structured and technology is used to encourage flexibility and interaction between employees. • Work design allows employees to use a variety of skills. • Decentralized decision making, reduced status distinctions, information sharing. • Increased safety.
Training	• Ongoing training emphasized and rewarded. • Training in finance and quality control methods.
Compensation	• Team-based performance pay. • Part of compensation may be based on company or division financial performance.
Performance management	• Employees receive performance feedback and are actively involved in the performance improvement process.

SOURCES: Based on K. Birdi, C. Cleggy, M. Patterson, A. Robinson, C. Stride, T. Wall, and S. Wood, "The Impact of Human Resource and Operational Management Practices on Company Productivity: A Longitudinal Study," *Personnel Psychology* 61 (2008), pp. 467–501; A. Zacharatos, J. Barling, and R. Iverson, "High Performance Work Systems and Occupational Safety," *Journal of Applied Psychology* 90 (2005), pp. 77–93; S. Way, "High Performance Work Systems and Intermediate Indicators of Performance within the U.S. Small Business Sector," *Journal of Management* 28 (2002), pp. 765–85; M. A. Huselid, "The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance," *Academy of Management Journal* 38 (1995), pp. 635–72.

Employees don't abuse the policy—hours in the factory consistently reach 97% to 100% of full time. Hindle established a program called the Professional Manufacturing Team, which pairs training with employee involvement in designing more efficient processes. The training includes 25 to 30 courses customized for each production line. Employees are responsible for completing all of the courses, and when they do they are designated as a manufacturing professional. Employees are also involved in decisions that go beyond training. For example, employees redesigned a production line resulting in an additional 150,000 units produced per week. At the Chrysler Dundee Engine plant, hourly employees rotate jobs and shifts, giving the company greater flexibility and employees more family time. The plant's culture emphasizes problem solving and the philosophy that anyone can do anything, anytime, anywhere. Every employee is either a team member or a team leader. Job candidates have to make it through a difficult screening process that includes testing, evaluation of how they perform in team activities, and interviews with managers and team leaders. Rotating jobs helps keep employees motivated and reduces injuries. Team leaders and engineers are expected on the shop floor as part of six-person teams. Large electronic screens hanging from the plant ceiling provide alerts of machinery parts that are ending their lifespan and need to be replaced before they malfunction. A performance management system, accessible on personal computers, alerts employees to delays or breakdowns in productivity. Employees are empowered to fix problems—not just managers or engineers.

Meeting Competitive Challenges through HRM Practices

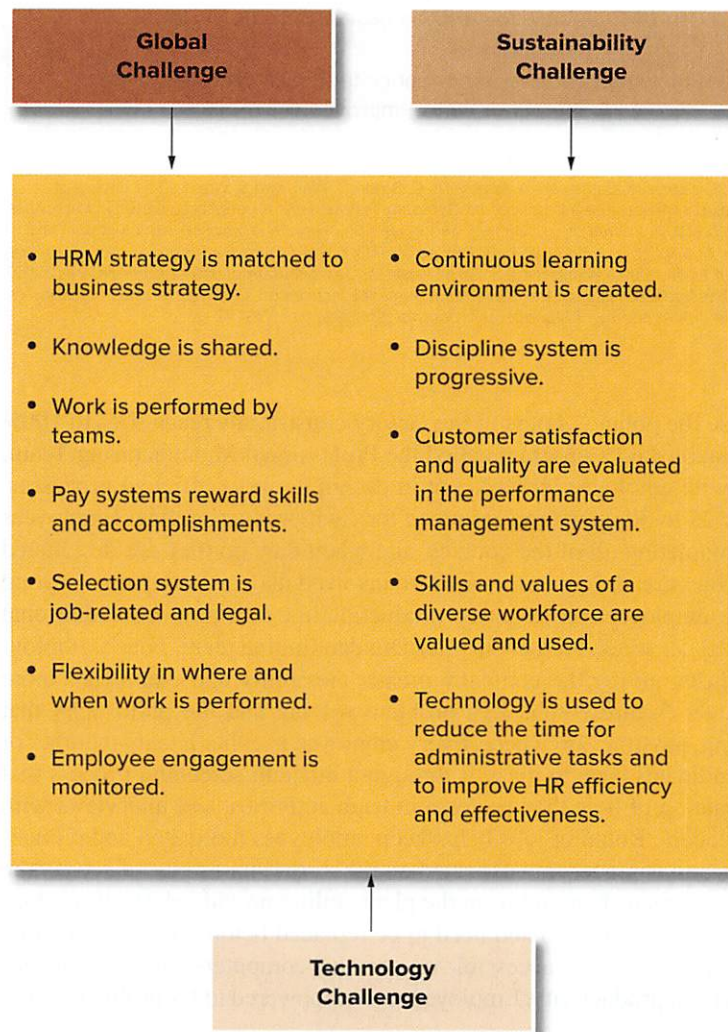
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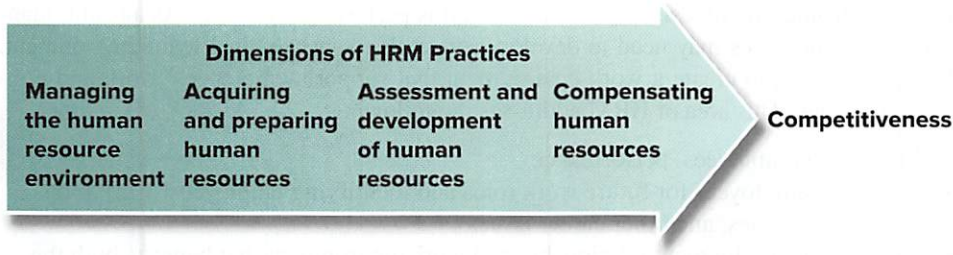
Provide a brief description of human resource management practices.

We have discussed the sustainability, globalization, and technology challenges U.S. companies are facing. We have emphasized that management of human resources plays a critical role in determining companies' success in meeting these challenges. HRM practices have not traditionally been seen as providing economic value to the company. Economic value is usually associated with equipment, technology, and facilities. However, HRM practices have been shown to be valuable. Compensation, staffing, training and development, performance management, and other HRM practices are investments that directly affect employees' motivation and ability to provide products and services that are valued by customers. Research has shown that companies that attempt to increase their competitiveness by investing in new technology and becoming involved in the quality movement also invest in state-of-the-art staffing, training, and compensation practices.¹⁵⁹ Figure 1.8 shows examples of HRM practices that help

Figure 1.8

Examples of How HRM Practices Can Help Companies Meet Competitive Challenges



**Figure 1.9**

Major Dimensions of HRM Practices Contributing to Company Competitiveness

companies deal with the three challenges. For example, to meet the sustainability challenge, companies need to identify through their selection processes whether prospective employees value customer relations and have the levels of interpersonal skills necessary to work with fellow employees in teams. To meet all three challenges, companies need to capitalize on the diversity of values, abilities, and perspectives that employees bring to the workplace.

HRM practices that help companies deal with the competitive challenges can be grouped into the four dimensions shown in Figure 1.9. These dimensions include the human resource environment, acquiring and preparing human resources, assessment and development of human resources, and compensating human resources. In addition, some companies have special issues related to labor–management relations, international human resource management, and managing the human resource function.

Managing the Human Resource Environment

Managing internal and external environmental factors allows employees to make the greatest possible contribution to company productivity and competitiveness. Creating a positive environment for human resources involves the following:

- Linking HRM practices to the company's business objectives—that is, strategic human resource management
- Ensuring that HRM practices comply with federal, state, and local laws
- Designing work that motivates and satisfies employees as well as maximizes customer service, quality, and productivity

Acquiring and Preparing Human Resources

Customer needs for new products or services influence the number and type of employees that businesses need to be successful. Terminations, promotions, and retirements also influence human resource requirements. Managers need to predict the number and type of employees needed to meet customer demands for products and services. Managers must also identify current or potential employees who can successfully deliver products and services. This area of HRM deals with the following:

- Identifying human resource requirements—that is, human resource planning, recruiting employees, and selecting employees
- Training employees to have the skills needed to perform their jobs

Assessment and Development of Human Resources

Managers need to ensure that employees have the necessary skills to perform current and future jobs. As we discussed earlier, because of new technology and the quality movement,

many companies are redesigning work so that it is performed by teams. As a result, managers and employees may need to develop new skills to succeed in a team environment. Companies need to create a work environment that supports employees' work and non-work activities. This area of HRM addresses the following:

- Measuring employees' performance
- Preparing employees for future work roles and identifying employees' work interests, goals, values, and other career issues
- Creating an employment relationship and work environment that benefits both the company and the employee

Compensating Human Resources

Besides interesting work, pay and benefits are the most important incentives that companies can offer employees in exchange for contributing to productivity, quality, and customer service. Also, pay and benefits are used to reward employees' membership in the company and attract new employees. The positive influence of new work designs, new technology, and the quality movement on productivity can be damaged if employees are not satisfied with the level of pay and benefits or believe pay and benefits are unfairly distributed. This area of HRM includes the following

- Creating pay systems
- Rewarding employee contributions
- Providing employees with benefits

Special Issues

In some companies, employees are represented by a labor union. Managing human resources in a union environment requires knowledge of specific laws, contract administration, and the collective bargaining process.

Many companies are globally expanding their business through joint ventures, mergers, acquisitions, and establishing new operations. Successful global expansion depends on the extent to which HRM practices are aligned with cultural factors as well as management of employees sent to work in another country. Human resource management practices must contribute to organizational effectiveness.

Human resource management practices of both managers and the human resource function must be aligned and contribute to the company's strategic goals. The final chapter of the book explains how to effectively integrate human resource management practices.

Organization of This Book

The topics in this book are organized according to the four areas of human resource management and special issues. Table 1.15 lists the chapters covered in the book.

The content of each chapter is based on academic research and examples of effective company practices. Each chapter includes examples of how the HRM practice covered in the chapter helps a company gain a competitive advantage by addressing sustainability, global, and technological challenges. Also, each chapter includes an example of a company that demonstrates how HR practices add value (evidence-based HR).

Table 1.15Topics Covered in
This Book

1	Human Resource Management: Gaining a Competitive Advantage
Part One	The Human Resource Environment
2	Strategic Human Resource Management
3	The Legal Environment: Equal Employment Opportunity and Safety
4	The Analysis and Design of Work
Part Two	Acquisition and Preparation of Human Resources
5	Human Resource Planning and Recruitment
6	Selection and Placement
7	Training
Part Three	Assessment and Development of Human Resources
8	Performance Management
9	Employee Development
10	Employee Separation and Retention
Part Four	Compensation of Human Resources
11	Pay Structure Decisions
12	Recognizing Employee Contributions with Pay
13	Employee Benefits
Part Five	Special Topics in Human Resource Management
14	Collective Bargaining and Labor Relations
15	Managing Human Resources Globally
16	Strategically Managing the HRM Function



A LOOK BACK

HRM at Publix

One of Publix's core values, "Dedicated to the dignity, value and employment security of our associates" drives its management and human resources practices, which in turn leads to happy employees, satisfied customers, and a positive "bottom line."

QUESTIONS

1. Which of Publix's HR practices do you think are most important for its success? Why?
2. Could promotion from within have disadvantages for Publix? Explain why?
3. Would Publix's HR practices be successful in other industries such as health care or manufacturing? Explain.
4. Do Publix's HR practices give it an advantage over its competitors? Why or why not?

SUMMARY

This chapter introduced the roles and activities of a company's human resource management function and emphasized that effective management of human resources can contribute to a company's business strategy and competitive advantage. Human resources can be viewed as having three product lines: administrative services, business partner services, and strategic services. To successfully manage human resources, individuals need personal credibility, business knowledge, understanding of the business strategy, technology knowledge, and the ability to deliver HR services. Human resource management practices should be evidence-based, that is, based on data showing the relationship between the practice and business outcomes related to key company stakeholders (customers, shareholders, employees, community). In addition to contributing to a company's business strategy, HR practices are important for helping companies deal with sustainability, global, and technology challenges. The sustainability challenges are related to the economy, the characteristics and expectations of the labor force, how and where work is done, the value placed on intangible assets and human capital, and meeting stakeholder needs (ethical practices, high-quality products and

services, return to shareholders, and social responsibility). Global challenges include entering international markets, immigration, and offshoring. Technology challenges include using new technologies to support flexible and virtual work arrangements; high-performance work systems; and implementing and using social networks, wearables, human resource information systems, artificial intelligence, and mobile devices.

The chapter concludes by showing how the book is organized. The book includes four topical areas: the human resource environment (strategic HRM, legal, analysis and design of work), acquisition and preparation of human resources (HR planning and recruitment, selection, training), assessment and development of human resources (performance management, development, separation and retention), compensation of human resources (pay structures, recognizing employee contributions with pay, benefits), and special topics (collective bargaining and labor relations, managing human resources globally, and strategically managing the HR function). All of the topical areas are important for companies to deal with the competitive challenges and contribute to business strategy.

KEY TERMS

Competitiveness, 4	Learning organization, 24	External labor market, 36
Human resource management (HRM), 4	Change, 24	Ethics, 43
Shared service model, 7	Employee engagement, 25	Sarbanes-Oxley Act of 2002, 43
Self-service, 8	Talent management, 26	Offshoring, 48
Outsourcing, 8	Nontraditional employment, 27	Reshoring, 48
Evidence-based HR, 12	Gig economy, 27	Social networking, 50
HR or workforce analytics, 12	Balanced scorecard, 29	Artificial intelligence, 51
Big data, 12	Total quality management (TQM), 31	Human resource information system (HRIS), 52
Sustainability, 16	Malcolm Baldrige National Quality Award, 32	Mobile devices, 52
Stakeholders, 16	ISO 9000:2015, 32	Cloud computing, 52
Intangible assets, 22	Six Sigma process, 34	HR dashboard, 52
Knowledge workers, 23	Lean thinking, 34	High-performance work systems, 53
Empowering, 23	Internal labor force, 35	Virtual teams, 54

DISCUSSION QUESTIONS

- Traditionally, human resource management practices were developed and administered by the company's human resource department. Some companies are abandoning or don't have HR departments. Why is this occurring? Is it a good idea for companies not to have an HR department or HR professionals? Explain your position.
- Staffing, training, compensation, and performance management are important HRM functions. How can

each of these functions help companies succeed in meeting the sustainability challenge, the global challenge, and the technology challenge?

3. What are intangible assets? How are they influenced by HRM practices?
4. What is evidence-based HR? Why might an HR department resist becoming evidence based?
5. What types of big data would you collect and analyze to understand why an employer was experiencing a high turnover rate?
6. Which HR practices can benefit by the use of social collaboration tools like Twitter and Facebook? Identify the HR practices and explain the benefits gained.
7. Do you agree with the statement "Employee engagement is something companies should be concerned about only if they are making money"? Explain.
8. This book covers four HRM practice areas: managing the human resource environment, acquiring and preparing human resources, assessment and development of human resources, and compensating human resources. Which area do you believe contributes most to helping a company gain a competitive advantage? Which area do you believe contributes the least? Why?
9. What is the balanced scorecard? Identify the four perspectives included in the balanced scorecard. How can HRM practices influence the four perspectives?
10. Is HRM becoming more strategic? Explain your answer.
11. What is sustainability? How can HR practices help a company become more socially and environmentally conscious?
12. Explain the implications of each of the following labor force trends for HRM: (1) aging workforce, (2) diverse workforce, (3) skill deficiencies.
13. What role do HRM practices play in a business decision to expand internationally?
14. What might a quality goal and high-performance work systems have in common in terms of HRM practices?
15. What disadvantages might result from outsourcing HRM practices? From employee self-service? From increased line manager involvement in designing and using HR practices?
16. What factors should a company consider before reshoring? What are the advantages and disadvantages of reshoring?

SELF-ASSESSMENT EXERCISE



connect

Additional assignable self-assessments available in Connect.

Do You Have What It Takes to Work in HR?

Instructions: Read each statement and circle *yes* or *no*.

- | | | |
|-----|----|--|
| Yes | No | 1. I have leadership and management skills I have developed through prior job experiences, extracurricular activities, community service, or other noncourse activities. |
| Yes | No | 2. I have excellent communications, dispute resolution, and interpersonal skills. |
| Yes | No | 3. I can demonstrate an understanding of the fundamentals of running a business and making a profit. |
| Yes | No | 4. I can use spreadsheets and the World Wide Web, and I am familiar with information systems technology. |
| Yes | No | 5. I can work effectively with people of different cultural backgrounds. |
| Yes | No | 6. I have expertise in more than one area of human resource management. |
| Yes | No | 7. I have a willingness to learn. |

- | | | |
|-----|----|---|
| Yes | No | 8. I listen to issues before reacting with solutions. |
| Yes | No | 9. I can collect and analyze data for business solutions. |
| Yes | No | 10. I am a good team member. |
| Yes | No | 11. I have knowledge of local and global economic trends. |
| Yes | No | 12. I demonstrate accountability for my actions. |

Scoring: The greater the number of yes answers, the better prepared you are to work as an HR professional. For questions you answered *no*, you should seek courses and experiences to change your answers to *yes*—and better prepare yourself for a career in HR!

SOURCE: Based on B. E. Kaufman, "What Companies Want from HR Graduates," *HR Magazine*, September 1994; SHRM Elements for HR Success Competency Model, 2012, from www.shrm.org, March 21, 2012.

EXERCISING STRATEGY

Zappos Faces Competitive Challenges

Zappos, based in Las Vegas, is an online retailer with the initial goal of trying to be the best website for buying shoes by offering a wide variety of brands, styles, colors, sizes, and widths. The Zappos.com brand has grown to offer shoes, handbags, eyewear, watches, and accessories for online purchase. The company's goal is to provide the best service online, not just in shoes but in any product category. Zappos believes that the speed with which a customer receives an online purchase plays a critical role in how that customer thinks about shopping online again in the future, so the company is focusing on making sure the items get delivered to its customers as quickly as possible.

Zappos CEO Tony Hsieh has shaped the company's customer-service-focused culture, brand, and business strategy around 10 core values:

- Deliver WOW through service.
- Embrace and drive change.
- Create fun and a little weirdness.
- Be adventurous, creative, and open-minded.
- Pursue growth and learning.
- Build open and honest relationships with communication.
- Build a positive team and family spirit.
- Do more with less.
- Be passionate and determined.
- Be humble.

"Deliver WOW through service" means that call center employees need to provide excellent customer service. Call center employees encourage callers to order more than one size or color because shipping and return shipping is free. They are also encouraged to use their imaginations to meet customer needs.

Zappos has received many awards for its workplace culture and practices, including being frequently recognized in *Fortune* magazine's annual rankings of the 100 Best Companies to Work For. The job of human resources at Zappos is more than just a rule enforcer. HR's job is to protect the culture and to educate employees. HR focuses on interactions with managers and employees to understand what they need from HR (HR is even invited to attend work teams' happy hours). Zappos's employment practices help perpetuate its company culture. Only about 1 out of 100 applicants passes a hiring process that is equally weighted on job skills and on the potential to work in Zappos's culture. Some managers at Zappos believe that if you want to get a job the most important value to demonstrate is "be humble" including a focus on "we" instead of "I." Job candidates are interviewed for cultural fit and a willingness to change and learn. For example, they observe whether job candidates talk at lunch

with others or just the person they think is making the hiring decision. The HR team uses unusual interview questions—such as, How weird are you? and What's your theme song?—to find employees who are creative and have strong individuality. Zappos provides free lunch in the cafeteria (cold cuts) and a full-time life coach (employees have to sit on a red velvet throne to complain), managers are encouraged to spend time with employees outside of the office, and any employee can reward another employee a \$50 bonus for good performance. Call center employees can use an online scheduling tool that allows them to set their own hours, and they can earn more pay if they work during hours with greater customer demand. Most of the over 1,500 employees at Zappos are hourly. Every new hire undergoes four weeks of training, during which the company culture must be committed to memory, and spends two weeks dealing with customers by working the telephones. New recruits are offered \$2,000 to leave the company during training to weed out individuals who will not be happy working at the company. Zappos provides free breakfast, lunch, snacks, coffee, tea, and vending machine snacks. Work is characterized by constant change; a loud, open office environment; and team interactions. Employees at Zappos move around. For example, call center employees can bid for different shifts every month.

To reinforce the importance of the 10 core values, Zappos's performance management system asks managers to evaluate how well employees' behaviors demonstrate the core values such as being humble or expressing their personalities. To evaluate task performance, managers are asked to regularly provide employees with status reports on such things as how much time they spend on the telephone with customers. The status reports and evaluations of the core values are informational or used to identify training needs. Zappos also believes in helping others understand what inspired the company culture. The company created the Zappos.com library, which provides a collection of books about creating a passion for customer service, products, and local communities. These books can be found in the front lobby of Zappos offices and are widely read and discussed by company employees.

Corporate culture is more than a set of values, and it is maintained by a complex web of human interactions. At Zappos, the liberal use of social media including blogs and Twitter facilitates the network that links employees with one another and with the company's customers. Zappos takes the pulse of the organization monthly, measuring the health of the culture with a happiness survey. Employees respond to such unlikely questions as whether they believe that the company has a higher purpose than profits, whether their

own role has meaning, whether they feel in control of their career path, whether they consider their coworkers to be like family and friends, and whether they are happy in their jobs. Results from the survey are broken down by department, and opportunities for development are identified and acted upon. For example, when it was clear from the survey that one department had veered off course and felt isolated from the rest of the organization, a program was instituted that enabled individuals in the group to learn more about how integral their work was. To keep the company vibrant, CEO Tony Hsieh spent \$350 million to develop a neighborhood in downtown Las Vegas, which is the home of Zappos.com's new headquarters. Hsieh wants to provide employees with a great place to work as well as to live and socialize.

Recently, Zappos adopted a management philosophy, holocracy, which gives employees the freedom and responsibility to decide how to get their work done and eliminated people managers. Hsieh's intent was to allow employees to act more like entrepreneurs and help stimulate new ideas, bring their full selves to work, and have a purpose beyond making money, all of which he believes will benefit the business. Employees work in teams or "circles" rather than as individuals, and team membership can change. However, employees are finding the new management system confusing and requiring them to spend more time in meetings. Also, they wonder how they will earn raises and advance their careers without management jobs. In all, 210 employees found the new philosophy so dissatisfying that they took three months of severance pay and left the company. Zappos is changing its recruitment process to ensure that its new hires are comfortable with holocracy's self-management style.

Despite this setback, other companies are trying to learn from Zappos's practices. Zappos Insights is a department within Zappos created to share the Zappos culture with other companies. Zappos Insights provides programs about building

a culture (3-Day Culture Camp), its WOW service philosophy (School of WOW), the power of a coaching-based culture (Coaching Event), how the HR function protects the culture and how its programs support it (People Academy), and custom programs. The cost to attend these programs ranges from \$2,000 to \$6,000 for each attendee.

QUESTIONS

1. Zappos seems to be well-positioned to have a competitive advantage over other online retailers. What challenges discussed in Chapter 1 pose the biggest threat to Zappos's ability to maintain and enhance its competitive position? How can HRM practices help Zappos meet these challenges?
2. Do you think that employees of Zappos have high levels of engagement? Why?
3. Which of Zappos's 10 core values do you believe that HR practices can influence the most? The least? Why? For each of the core values, identify the HR practices that are related to it. Explain how the HR practices you identified are related to the core values.
4. How might the change to the holocracy management style undermine Zappos's core values and cause employees to have lower levels of engagement?

SOURCES: Based on www.zappos.com, accessed February 17, 2017; E. Bernstein, J. Bunch, N. Canner, and M. Lee, "Beyond the Holocracy Hype," *Harvard Business Review*, July/August 2016, pp. 38–49; J. Reingold, "The Zappos Experiment," *Fortune*, March 15, 2016, pp. 206–14; *The Columbus Dispatch*, April 6, 2015, p. C3; "Zappos Insights," www.zapposinsights.com, accessed March 1, 2017; D. Richard, "At Zappos, Culture Pays," *Strategy + Business*, August 2010, p. 60, www.strategybusiness.com, accessed March 25, 2013; K. Gurchick, "Delivering HR at Zappos," *HR Magazine*, June 2011; R. Pyrrillis, "The Reviews Are In," *Workforce Management*, May 2011, pp. 20–25; J. O'Brien, "Zappos Knows How to Kick It," *Fortune*, February 2, 2009, pp. 55–66; R. Silverman, "Going Bossless Backfires at Zappos," *Wall Street Journal*, May 21, 2015, pp. A1, A10.

MANAGING PEOPLE

Marriott: HR Practices Result in Engaged Employees and Satisfied Customers

If you have traveled, you probably have seen or stayed at a Marriott hotel. But did you know that Marriott owns few hotels? Most are owned by real estate partners, and Marriott manages or franchises them. Marriott is doing well in a competitive industry. Its 2014 revenue and net income (\$13.8 billion, and \$753 million, respectively) were at record levels. Marriott reported net income totaled \$244 million in the fourth quarter of 2016, a 21 percent increase over 2015 fourth quarter net income. To stay relevant in the hotel industry, Marriott has added new properties around the world and is reinventing itself to appeal to tastes of the new Millennial generation of travelers. Marriott purchased Starwood Hotels

and Resorts and has added three new brands, Moxy Hotels, for budget-conscious travelers, and AC Hotels and Edition brand for more sophisticated travelers. Also, Marriott is changing room design to reflect Millennials's tastes and preferences: big comfortable beds, large televisions, large public lounges, and instead of traditional room service, online ordering and food delivery.

How Marriott manages its employees plays a key role in its financial performance and customer satisfaction. Its practices are based on the principle "Take care of associates and they will take care of customers." "We put people first" is one of Marriott's core values. Marriott has been on

Fortune magazine's "Best Companies to Work For" list for all 18 years the list has been in existence, a distinction shared by only 11 other companies, including Publix, Whole Foods, Nordstrom, and REI. The company has more than 200,000 employees who work in hotel properties around the world. The work isn't necessarily sexy or sophisticated. Most employees, who are known as "associates," work helping guests, serving meals, and cleaning rooms. Housekeepers represent the largest category of associates, and 85% of associates earn an hourly wage. Despite the routine nature of the work and demanding customers, associates often refer to their co-workers as "family," and many stay in their jobs for many years. Marriott's general manager's tenure is 25 years—much greater than the industry average. More than 10,000 employees have worked at Marriott more than 20 years.

Marriott emphasizes hiring friendly people who can learn through training. For hourly associates, the company screens for interpersonal skills, dependability, and positive disposition. Employees' opinions matter. At every hotel, each shift starts with a 15-minute meeting during which employees share updates and get motivated for the day's work. The meetings often include stretching, music, and dancing. Employee benefits also contribute to making Marriott a desirable company to work for. The benefits include flexible scheduling; an employee assistance phone number; health care benefits for hourly employees if they work 30 hours a week; and discounts on room rates for employees, families, and friends. Employees working at company headquarters have access to a gym, a dry cleaners, a gift store, and day care. The company holds a celebration of excellence each year that recognizes outstanding employees who are flown in for the event. The best benefit may be the opportunity that all employees have to grow their careers.

Many top executives started as hourly employees working as housekeepers, waiters, sales people, or security guards. Employees are given opportunities to explore career paths and learn through job experiences. Mentoring from senior employees is common. Bill Marriott, the company's executive chairman and CEO for 40 years until stepping down, believes happy employees result in lower costs. Happy employees mean Marriott has lower turnover and less need to train and orient replacement employees, and an experienced workforce provides better customer service. Marriott regularly surveys its employees to measure their engagement. The results show that in hotels where employee engagement is higher, customers who experienced a problem were more satisfied with the solution.

QUESTIONS

1. Which HR practices do you believe are the most critical for Marriott to maintain and grow its competitive advantage? Explain why.
2. Would Marriott have been successful without its current HR practices? Explain.
3. Can companies in other industries such as health care, manufacturing, or research and development adopt Marriott's value and practices and have similar success? Explain why or why not.
4. What other types of HR practices should Marriott consider adopting that would appeal to its growing number of Millennial employees?

SOURCE: Based on L. Gallagher, "Why Employees Love Marriott," *Fortune*, March 15, 2015, pp. 112–118; company website, "Careers" and "About Marriott: Core Values and Heritage," www.marriott.com, accessed February 28, 2017; "Marriott International Reports Fourth Quarter 2016 Results" February 15, 2017 from <http://news.marriott.com/2017/02/marriott-international-reports-fourth-quarter-2016-results/> accessed May 3, 2017.

HR IN SMALL BUSINESS

Network Is the Key to HRM at 1Collision

The typical auto body shop used to be a small, independent business that dealt directly with car owners or the local claims adjuster at an owner's insurance company. Today, however, more shops are part of a chain or join a network of shops. One reason is that insurers prefer to direct work to a few companies, rather than many small shops. Another is that a larger organization can support shops with functions such as human resource management. In fact, the two advantages build on each other: Joining a successful network brings in more business, which requires more employees, which requires more sophisticated HR practices.

Milwaukee-based 1Collision Network has seized on these opportunities by emphasizing HRM along with

marketing to consumers and insurance companies. The more than 20 shops that have joined 1Collision Network use its online software to carry out the tasks of signing up new employees and enrolling all employees in benefits such as health insurance and retirement savings plans.

Jim Keller, 1Collision's president, says many shops find recruiting new employees to be a particular challenge. The network has employees who work full time on providing shops with support for recruiting qualified technicians.

The network also supports performance management and training. It works with an outside service provider to apply key performance indicators, using them to identify areas in which coaching can help the shop improve. For training,

1Collision works with equipment suppliers to identify training requirements and necessary certifications. Then 1Collision makes arrangements to have the instruction delivered to the shops in its network. The network also promotes learning through peer meetings in which the shops share lessons from experience.

QUESTIONS

1. Give examples of 1Collision's HRM professionals providing the competencies of (a) HR technical expertise and practice and (b) critical evaluation.

2. How might HRM support from the 1Collision Network make an auto body shop more competitive than if it relied on the shop manager to handle human resource management? In other words, how might this support contribute to business success?

SOURCES: 1Collision Network, "Body Shop Partners," <http://1collision.com>; Brian Albright, "Strength in Numbers," *Auto Body Repair Network*, October 2015, pp. 36–38; Stacey Phillips, "Growing Trend of Collision Repair Networks Led to Formation of 1Collision Network," *Autobody News*, September 14, 2015, <http://www.autobodynews.com>.

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