Teamwork can motivate employees by making work more interesting and significant. At organizations that rely on teamwork, labor costs may be lower as well. Spurred by such advantages, a number of companies are reorganizing assembly operations—abandoning the assembly line in favor of operations that combine mass production with jobs in which employees perform multiple tasks, use many skills, control the pace of work, and assemble the entire final product.

One way companies can increase employee responsibility and control is to assign work to teams.

Witnessing the resulting improvements, companies in the service sector also have moved toward greater use of teamwork. Teamwork is a necessary component of more and more computer programming tasks. Companies that develop software are increasingly using an approach they call *agile*, which involves weaving the development process more tightly into the organization's activities and strategies. In agile software development, self-directed teams of developers and programmers work directly with the business users of the software, using as much face-to-face communication as possible. Rather than devoting endless hours to negotiating contracts and documenting processes, the teams focus on frequently delivering usable components of the software. Throughout the development process the team is open to changing requirements and computer code as a result of their communication with users. Users of agile software development say it increases customer satisfaction and speeds up the time from concept to usable software.[23]

Focus on Strategy

LO 2-4 Identify ways HR professionals can support organizational strategies for quality, growth, and efficiency.

As we saw in Chapter 1, traditional management thinking treated human resource management primarily as an administrative function, but managers today are beginning to see a more central role for HRM. They are looking at HRM as a means to support a company's *strategy*—its plan for meeting broad goals such as profitability, quality, and market share. This strategic role for HRM has evolved gradually. At many organizations, managers still treat HR professionals primarily as experts in designing and delivering HR systems (see the "HR Oops!" box). But at a growing number of organizations, HR professionals are strategic partners with other managers.

This means they use their knowledge of the business and of human resources to help the organization develop strategies and to align HRM policies and practices with those strategies. To do this, human resource managers must focus on the future as well as the present, and on company goals as well as human resource activities. They may, for example, become experts at analyzing the business impact of HR decisions or at developing and keeping the best talent to support business strategy. Organizations do this, for example, when they integrate all the activities involved in talent management with each other and with the organization's other processes to provide the skills the organization needs to pursue its strategy. An integrated approach to talent management includes acquiring talent (recruiting and selection), providing the right opportunities for training and development, measuring performance, and creating compensation plans that reward the needed behaviors. To choose the right talent, provide the right training, and so on, HR professionals need to be in close, ongoing contact with the members of the organization who need the talent. And when the organization modifies its strategy, HR professionals are part of the planning process so they can modify

HR Oops!

Less Helpful than a Search Engine?

A lot of managers are disappointed in the support they get from their HR teams, according to a survey by the Hay Group, a global consulting firm. The survey questioned line managers and HR directors in China, the United Kingdom, and the United States about their working relationships. The results suggest that those relationships are often strained.

HR directors reported being challenged by cutbacks in their department. One-third said they spend 21% to 50% of their time responding to inquiries from managers, and three-fourths said line managers want immediate responses. For their part, 41% of line managers in the United States said the HR department is too slow in responding, and 47% said they could make decisions better and faster if they had more information from the department. An embarrassing 29% rated Google above the HR department for providing pertinent information.

Hay's consultants suggest that human resource managers need to focus on how they can empower line managers by providing them with easy access to relevant information.

Questions

1. Suggest one way that HR managers might improve their helpfulness to line managers
2. Suggest one way that line managers can improve communications with HR managers, so they get the support they need.

Sources: Laurence Doe, "Relationship between Line Managers and HR under Increasing Strain, Hay Group Finds," *HR Magazine (UK)*, November 21, 2013, http://www.hrmagazine.co.uk; Hay Group, "More Managers Turn to Google for HR Information," *Business Wire*, November 20, 2013, http://www.businesswire.com; Philip Spriet, "'Power On': From Passing the Buck to Activating the Line," Hay Group Blog, October 16, 2013, http://blog.haygroup.com.

talent management efforts to support the revised strategy. One organization that does all this is Universal Weather and Aviation, which provides services and support to the owners of private jets. In this market niche, the company does not expect to find people with the precise set of skills it needs; rather, its talent management program emphasizes finding individuals who are a good fit with the organization's culture and then training them in the areas where their skills are weak. Executives are rewarded for achieving talent management objectives that include retaining the best-performing employees and identifying potential successors to fill key positions.[24]

The specific ways in which human resource professionals support the organization's strategy vary according to their level of involvement and the nature of the strategy. Strategic issues include emphasis on quality and decisions about growth and efficiency. Human resource management can support these strategies, including efforts such as quality improvement programs, mergers and acquisitions, and restructuring. Decisions to use reengineering and outsourcing can make an organization more efficient and also give rise to many human resource challenges. International expansion presents a wide variety of HRM challenges and opportunities. Figure 2.4 summarizes these strategic issues facing human resource management.

Mergers and Acquisitions

Often, organizations join forces through mergers (two companies becoming one) and acquisitions (one company buying another). Some mergers and acquisitions result in consolidation within an industry, meaning that two firms in one industry join to hold a greater share of the industry. For example, British Petroleum's acquisition of Amoco Oil represented a consolidation, or a reduction of the number of companies in the oil

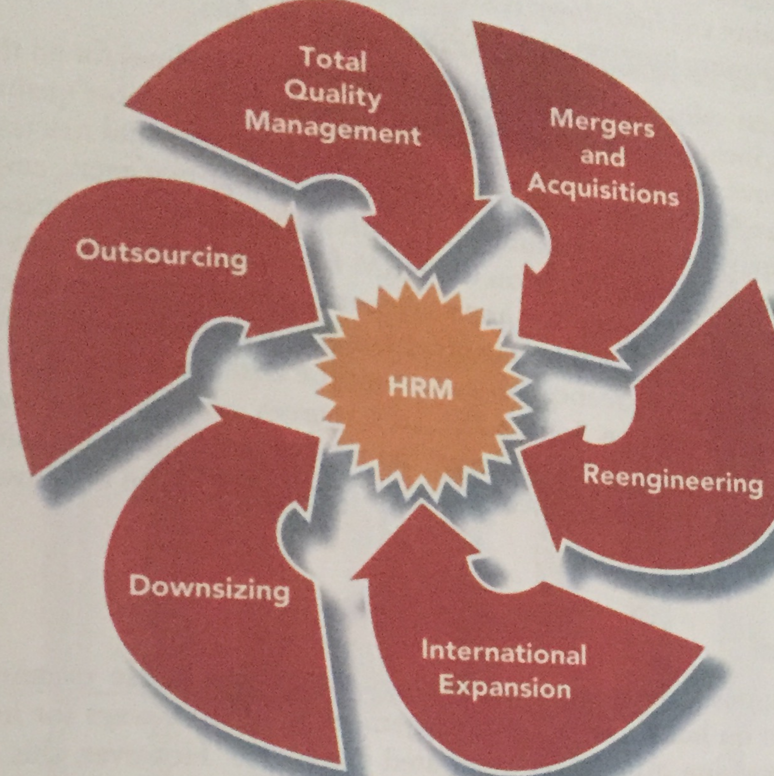


Figure 2.4
Business Strategy: Issues Affecting HRM

industry. Other mergers and acquisitions cross industry lines. In a merger to form Citigroup, Citicorp combined its banking business with Traveler's Group's insurance business. Furthermore, these deals more frequently take the form of global megamergers, or mergers of big companies based in different countries (as in the case of BP-Amoco).

HRM should have a significant role in carrying out a merger or acquisition. Differences between the businesses involved in the deal make conflict inevitable. Training efforts should therefore include development of skills in conflict resolution. Also, HR professionals have to sort out differences in the two companies' practices with regard to compensation, performance appraisal, and other HR systems. Settling on a consistent structure to meet the combined organization's goals may help bring employees together.

High Quality Standards

To compete in today's economy, companies need to provide high-quality products and services. If companies do not adhere to quality standards, they will have difficulty selling their product or service to vendors, suppliers, or customers. Therefore, many organizations have adopted some form of **total quality management (TQM)**—a companywide effort to continually improve the ways people, machines, and systems accomplish work.[25] TQM has several core values[26]:

Total Quality Management (TQM)
A companywide effort continually improve th ways people, machin and systems accomp work.

- Methods and processes are designed to meet the needs of internal and external customers (that is, whomever the process is intended to serve).
- Every employee in the organization receives training in quality.
- Quality is designed into a product or service so that errors are prevented from occurring, rather than being detected and corrected in an error-prone product or service.

- The organization promotes cooperation with vendors, suppliers, and customers to improve quality and hold down costs.
- Managers measure progress with feedback based on data.

Based on these values, the TQM approach provides guidelines for all the organization's activities, including human resource management. To promote quality, organizations need an environment that supports innovation, creativity, and risk taking to meet customer demands. Problem solving should bring together managers, employees, and customers. Employees should communicate with managers about customer needs.

Quality improvement can focus on the HRM function itself. One area where managers are increasingly pressing for improvement is performance management. Business consultants note that many companies have grown dissatisfied with the ways they measure and reward performance, believing that the traditional practices do not yield measurable benefits. George Boué, a human resources executive with the real estate firm Stiles Corporation, says his company has tried to improve the quality of performance management by hiring coaches to help employees figure out how to develop their skills.[27]

Cost Control

Some organizations have a low-cost, low-price strategy. These organizations particularly depend on human resource management to identify ways for limiting costs related to maintaining a qualified, motivated workforce. However, this challenge is relevant in any organization. HR managers contribute to success whenever they help lower costs without compromising quality.

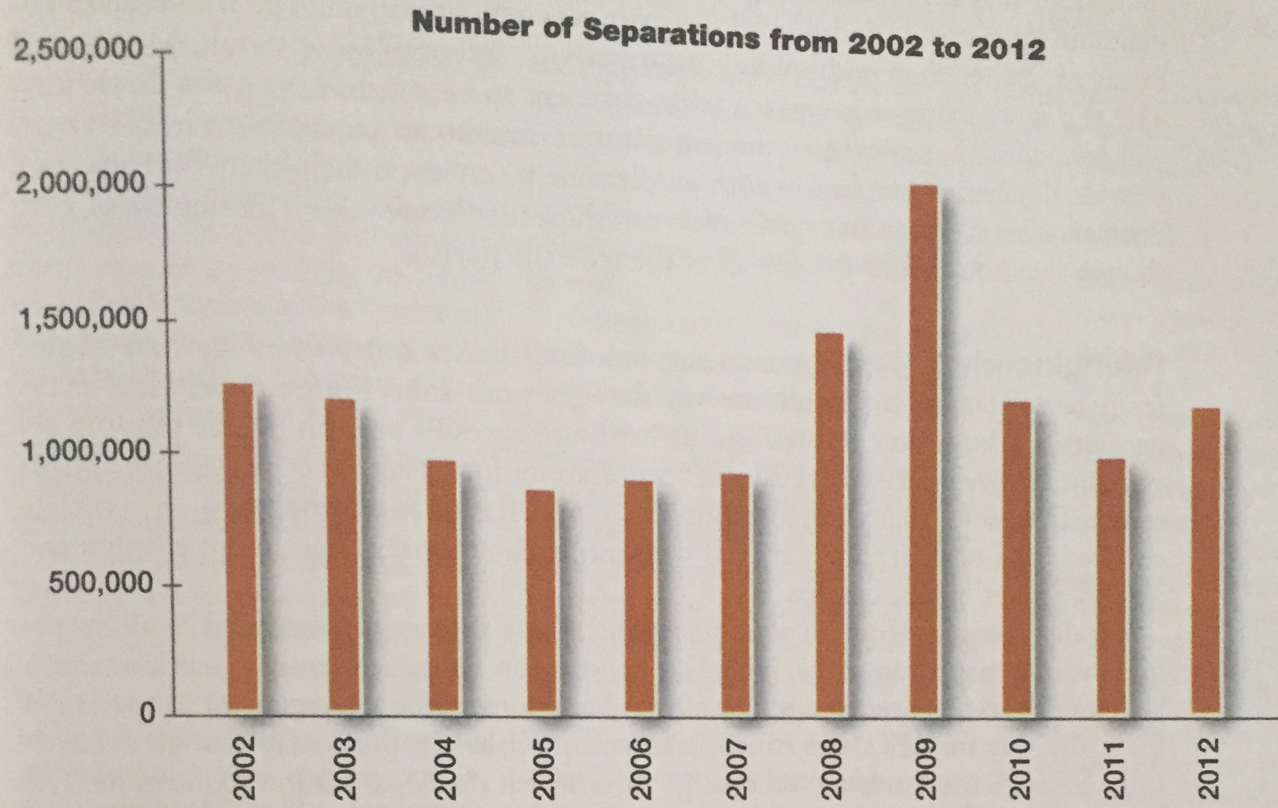
Human resource management supports cost control both by helping the organization use human resources more efficiently and by making HRM processes as efficient as possible. This has become particularly relevant to employee benefits, specifically health insurance.[28] As we will discuss in Chapter 14, the cost of this benefit has grown rapidly, while the Affordable Care Act has introduced a set of employer requirements, which can be expensive. How to manage the costs while meeting the requirements is complicated. Employers need to weigh factors such as legal requirements, the costs and types of plans available, the impact on departments' budgets, and the effect on employee morale and retention, as well as on the ability to recruit new employees. Management relies on well-informed HR managers to identify alternatives and recommend which ones will best support the company's strategy.

Beyond specific issues such as health insurance and the Affordable Care Act, human resource management can support strategic efforts to control costs through downsizing, reengineering, and outsourcing.

Downsizing As shown in Figure 2.5, the number of employees laid off when organizations downsized soared in 2008 and 2009.[29] Since those years, downsizing has continued, but at a declining rate. The surge in unemployment created a climate of fear for many workers. Even at organizations that were maintaining their workforce, employees tended to worry, and employees who might have otherwise left tended to hold on to their jobs if they could. Therefore, an important challenge for employers was how to maintain a reputation as an employer of choice and how to keep employees engaged in their work and focused on the organization's goals. The way employers meet this challenge will influence how sustainably they can compete, especially as unemployment falls and talented workers see possibilities for work in other organizations.

Figure 2.5

Number of Employees Laid Off during the Past Decade



Sources: Bureau of Labor Statistics, "Extended Mass Layoffs: Fourth Quarter 2011, Annual Totals 2011," news release, February 10, 2012, http://www.bls.gov/mls; Bureau of Labor Statistics, "Mass Layoff Statistics," last updated May 13, 2013, http://data.bls.gov.

Downsizing presents a number of challenges and opportunities for HRM. In terms of challenges, the HRM function must "surgically" reduce the workforce by cutting only the workers who are less valuable in their performance. Achieving this is difficult because the best workers are most able (and often willing) to find alternative employment and may leave voluntarily before the organization lays off anyone. Early-retirement programs are humane, but they essentially reduce the workforce with a "grenade" approach—not distinguishing good from poor performers but rather eliminating an entire group of employees. In fact, contrary to popular belief, research has found that downsizing is associated with negative stock returns and lower profitability following the layoffs. One reason may be that although labor costs fall after a downsizing, sales per employee also tend to fall. Circuit City, for example, tried to save money by laying off its highest-paid salespeople. Customers soon found that they preferred other electronics retailers, and Circuit City went out of business. In contrast, Southwest Airlines, which has never laid off employees—not even after air travel plummeted following the terrorist attacks of September 11, 2001—has outperformed its rivals. Like Southwest's managers, Susan Marvin, president of Marvin Windows, thinks it is illogical to call employees the company's "greatest asset" and then lay them off. Although the recent economic recession has been devastating to the construction business and its suppliers, Marvin has avoided layoffs and let employment decline naturally by not replacing employees who have retired during the lean years. Instead, employees have been doing without bonuses and some employee benefits, and the workweek has been shortened, reducing pay to hourly workers. Susan Marvin is convinced that the impact on morale of everyone pulling together during tough times builds a strong commitment to the organization.[30]

Another HRM challenge is to boost the morale of employees who remain after the reduction; this is discussed in greater detail in Chapter 5. HR professionals should maintain open communication with remaining employees to build their trust and commitment, rather than withholding information.[31] All employees should be informed why the downsizing is necessary, what costs are to be cut, how long the downsizing will last, and what strategies the organization intends to pursue. Finally, HRM can provide downsized employees with outplacement services to help them find new jobs. Such services are ways an organization can show that it cares about its employees, even though it cannot afford to keep all of them on the payroll.

Reengineering Rapidly changing customer needs and technology have caused many organizations to rethink the way they get work done. For example, when an organization adopts new technology, its existing processes may no longer result in acceptable quality levels, meet customer expectations for speed, or keep costs to profitable levels. Therefore, many organizations have undertaken **reengineering**—a complete review of the organization's critical work processes to make them more efficient and able to deliver higher quality.

Reengineering
A complete review of the organization's critical work processes to make them more efficient and able to deliver higher quality.

Ideally, reengineering involves reviewing all the processes performed by all the organization's major functions, including production, sales, accounting, and human resources. Therefore, reengineering affects human resource management in two ways. First, the way the HR department itself accomplishes its goals may change dramatically. Second, the fundamental change throughout the organization requires the HR department to help design and implement change so that all employees will be committed to the success of the reengineered organization. Employees may need training for their reengineered jobs. The organization may need to redesign the structure of its pay and benefits to make them more appropriate for its new way of operating. It also may need to recruit employees with a new set of skills. Often, reengineering results in employees being laid off or reassigned to new jobs, as the organization's needs change. HR professionals should also help with this transition, as they do for downsizing.

Outsourcing
The practice of having another company (a vendor, third-party provider, or consultant) provide services.

Outsourcing Many organizations are increasingly outsourcing some of their business activities. **Outsourcing** refers to the practice of having another company (a vendor, third-party provider, or consultant) provide services. For instance, a manufacturing company might outsource its accounting and transportation functions to businesses that specialize in these activities. Outsourcing gives the company access to in-depth expertise and is often more economical as well.

Not only do HR departments help with a transition to outsourcing, but many HR functions are being outsourced. According to a recent survey of human resource managers, about 70% of companies had outsourced at least one HR activity. The functions that were most likely to be outsourced were employee assistance, retirement planning, and outplacement.[32] Goodyear Tire and Rubber Company improved its recruiting and hiring practices by outsourcing these activities to a specialist. The recruiting service provider started by learning about Goodyear's history, culture, and experiences with recruiting. It used Internet technology to streamline the hiring process and track the progress of job candidates throughout that process. After outsourcing this function, Goodyear began making quicker hiring decisions, improved the diversity and quality of employees it hired, and reduced employee turnover.[33] See the "Best Practices" box for another example of HR outsourcing.

Best Practices

Outsourcing Enriches the Bottom Line for Land O'Lakes

Land O'Lakes is an example of a company that has successfully reduced costs by outsourcing human resource activities. Best known for its butter and other dairy products, the company is a food and agriculture cooperative owned by the farmers who participate in the business. The co-op's 10,000 employees work toward a strategy of delivering strong financial performance for its farmer-owners while providing programs and services that help the farmers operate more successfully.

In support of that strategy, Pam Grove, the senior director of benefits and HR operations, led Land O'Lakes to outsource the administration of employee benefits. Management determined that benefits administration was not an activity that contributed to the company's strategy, and Land O'Lakes already had successfully used an outside firm to administer its 401(k) retirement savings plan. So Grove arranged to have a firm administer its health insurance and pension plans as well.

Outsourcing achieved the basic goal of reducing costs, but that was not the only advantage. Grove freed up time for focusing on strategy-related activities, and she says the outsourcing arrangement also has improved service to employees. When the company tackled health benefit costs by offering a high-deductible health plan, which shifts spending decisions to employees, Grove and her staff visited 100 Land O'Lakes locations to explain the new option. Employee enrollment was double her expectations, helping the company save millions of dollars while keeping employees satisfied with their benefits.

Questions

1. When does outsourcing make strategic sense for an organization such as Land O'Lakes?
2. How does Grove ensure that a cost-conscious practice such as outsourcing is well received by employees?

Sources: Land O'Lakes Inc., "Company," http://www.landolakesinc.com, accessed April 22, 2014; Land O'Lakes Inc., "Careers," http://www.landolakesinc.com/careers, accessed April 22, 2014; Susan J. Wells, "Benefits Strategies Grow: And HR Leads the Way," *HR Magazine*, March 2013.

Expanding into Global Markets

LO 2-5 Summarize ways in which human resource management can support organizations expanding internationally.

Companies are finding that to survive they must compete in international markets as well as fend off foreign competitors' attempts to gain ground in the United States. To meet these challenges, U.S. businesses must develop global markets, keep up with competition from overseas, hire from an international labor pool, and prepare employees for global assignments. This global expansion can pose some challenges for human resource management as HR employees learn about the cultural differences that shape the conduct of employees in other parts of the world.

Companies that are successful and widely admired not only operate on a multinational scale, but also have workforces and corporate cultures that reflect their global markets. Yum Brands was quick to seize on the potential of China's massive population: in 1987, its KFC restaurants became the first fast-food chain to enter China, and its Pizza Hut brand was the first pizza chain there in 1990. Today the company has more than 6,000 restaurants in the country with plans to open hundreds more. More than half the company's sales are made in China. Behind the success of this overseas expansion is a willingness to adapt menus to local tastes and develop local management talent.[34]

The Global Workforce For today's and tomorrow's employers, talent comes from a global workforce. Organizations with international operations hire at least some of their employees in the foreign countries where they operate. In fact,