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16th edition

Principles of Human Resource Management

Bohlander
Snell





International Edition

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Principles of Human Resource Management, Sixteenth International Edition
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Library of Congress Control Number: 2011939722

International Edition:

ISBN-13: 978-1-111-82462-4

ISBN-10: 1-111-82462-2

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1 2 3 4 5 6 7 15 14 13 12 11

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1 An Overview of Human Resources Management



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After studying this chapter, you should be able to

LEARNING OUTCOME 1 Explain how human resources managers can help their firms gain a sustainable competitive advantage through the strategic utilization of people.

LEARNING OUTCOME 2 Explain how globalization affects human resources management.

LEARNING OUTCOME 3 Explain how good human resources practices can help a firm achieve its corporate social responsibility and sustainability goals.

LEARNING OUTCOME 4 Describe how technology can improve how people perform and are managed.

LEARNING OUTCOME 5 Discuss how cost pressures affect human resources management policies.

LEARNING OUTCOME 6 Discuss how firms can leverage employee differences to their strategic advantage.

LEARNING OUTCOME 7 Explain how educational and cultural changes in the workforce are affecting human resources management.

LEARNING OUTCOME 8 Provide examples of the roles and competencies of today's HR managers.

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We use a lot of words to describe how important people are to organizations. The terms *human resources, human capital, intellectual assets,* and *talent management* imply that it is people who drive the performance of their organizations (along with other resources such as money, materials, and information). Successful organizations are particularly adept at bringing together different kinds of people to achieve a common purpose. This is the essence of human resources management (HRM). Human resources management involves a wide variety of activities, including analyzing a company's competitive environment and designing jobs so a firm's strategy can be successfully implemented to beat the competition. This, in turn, requires identifying, recruiting, and selecting the right people for those jobs; training, motivating, and appraising these people; developing competitive compensation policies to retain them, and grooming them to lead the organization in the future—and the list goes on.

human resources management (HRM)
The process of managing human talent to achieve an organization's objectives

Why Study Human Resources Management?

Why should you study human resources management? You might be wondering how the topic relates to your interests and career aspirations. Suppose you want the opportunity to manage people, either for another a firm or one you start yourself. Having a good understanding of human resources management is important for managers and entrepreneurs of all types—not just human resources (HR) personnel. All managers are responsible for at least some of the activities that fall into the category of human resources management. Managers play a key role in selecting employees, training and motivating them, appraising them, promoting them, and so forth.

What if you do a poor job of these activities? Believe it or not, many businesspeople with great business strategies, business plans, and products and services fail because they do not fully grasp the importance of human resources management. Laments one entrepreneur: "My first year after investing in a small business that was failing, I tripled the amount of business that company did, and made a lot of money. But I didn't pay my personnel enough or motivate them. They eventually abandoned me, and a larger competitor muscled me out of the marketplace. I now understand the important role personnel play in a business. They can make or break it."

In addition, great business plans and products and services can easily be copied by your competitors. Great personnel cannot. Their knowledge and abilities are among the most distinctive and renewable resources upon which a company can draw. As Thomas J. Watson, the founder of IBM, said, "You can get capital and erect buildings, but it takes people to build a business."[1]

Human Capital and HRM

human capital
The knowledge, skills, and capabilities of individuals that have economic value to an organization

The idea that organizations "compete through people" highlights the fact that achieving success increasingly depends on an organization's ability to manage talent, or **human capital.** The term *human capital* describes the economic value of employees' knowledge, skills, and capabilities. Although the value of these assets might not show up directly on a company's balance sheet, it nevertheless has tremendous impact on

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an organization's performance. The following quotations from notable CEOs and former CEOs illustrate this point:[2]

- "If you look at our semiconductors and melt them down for silicon, that's a tiny fraction of the costs. The rest is intellect and mistakes." (Gordon Moore, Intel)
- "An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive business advantage." (Jack Welch, General Electric)
- "Successful companies of the twenty-first century will be those who do the best jobs of capturing, storing, and leveraging what their employees know." (Lew Platt, Hewlett-Packard)

Human capital is intangible and cannot be managed the way organizations manage jobs, products, and technologies. One reason why is because employees, *not* the organization, own their own human capital. If valued employees leave a company, they take their human capital with them, and any investment the company has made in training and developing these people is lost.

To build human capital in organizations, managers must continue to develop superior knowledge, skills, and experience within their workforces and retain and promote top performers.[3] Beyond the need to invest in employee development, organizations have to find ways to better utilize the knowledge of their workers. Too often employees have knowledge that goes unused. As Dave Ulrich, a professor of business at the University of Michigan, notes: "Learning capability is *g* times *g*—a business's ability to *generate* new ideas multiplied by its adeptness at *generalizing* them throughout the company."[4]

Human resources management and programs are often the conduit through which knowledge is developed and transferred among employees. A survey by the Human Resource Planning Society revealed that 65 percent of responding companies believed that their HR groups play a key role in developing human capital. Arvinder Dhesi, the head of talent for the insurance company Aviva, explains that his firm's goal is to treat *everyone* as talent and not just focus on a few. "We talk about the sum of people's



Frances Roberts/Alamy

Staffing programs focus on identifying, recruiting, and hiring the best and the brightest talent available. A jobs fair is one resource, and often brings in many applicants for few positions.

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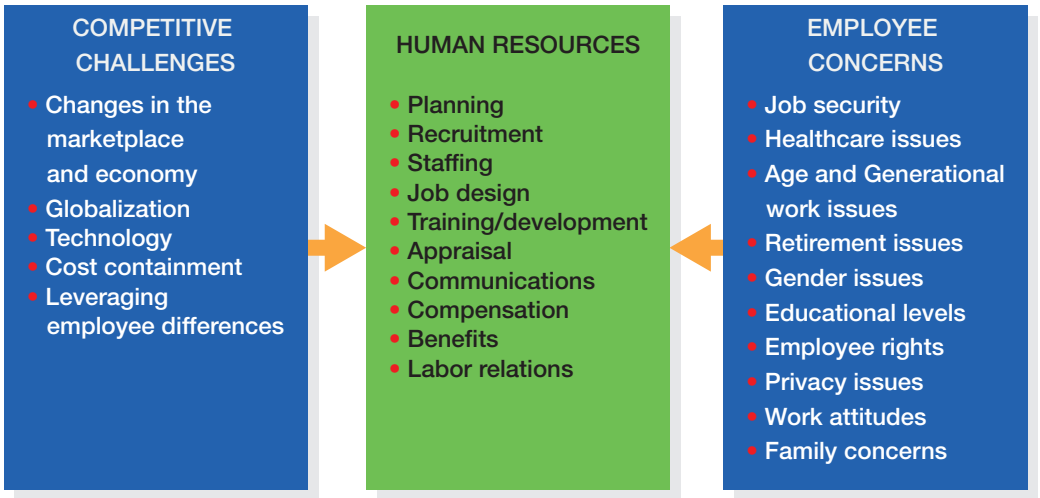
FIGURE 1.1 Overall Framework for Human Resources Management



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experiences as well as their skills," says Dhesi, who notes that Aviva is rolling out new software that will create "talent profile" of each of the firm's employees worldwide.

Although "competing through people" is a major theme of human resources management, on a day-to-day basis, managers of all types have to carry out the specific activities for a company to effectively do so. Figure 1.1 provides an overall framework of these activities. From this figure, we can see that managers have to help blend many aspects of management; at this point, we will simply classify them as either "competitive challenges" or "employee concerns." We will use Figure 1.1 as a basis for our discussion throughout the rest of this chapter.

Competitive Challenges and Human Resources Management

Professional organizations such as the Society for Human Resource Management (SHRM) and the Human Resource Planning Society (HRPS) conduct ongoing studies of the most pressing competitive issues facing firms. By seeking the input of chief executives and HR managers, these organizations keep a finger on the pulse of major trends. The top trends, or challenges, they name today include those outlined in the sections that follow.

Using the INTERNET

The Society for Human Resource Management's website provides membership information, resources, and links to others in the HR field. Go to **www.cengagebrain.com**

Challenge 1: Responding Strategically to Changes in the Marketplace

Given the pace of commerce, organizations can rarely stand still for long. In today's highly competitive environments in which competition is global and innovation is continuous, being able to adapt has become the key to

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capturing Opportunities and Overcome Obstacles as well as the very survival of organizations. As one pundit put it, "No change means chance." Successful companies, says Harvard Business School professor Rosabeth Moss Kanter, develop a culture that just keeps moving all the time.[5]

Consider what happened to the parts suppliers for U.S. automakers when the bankruptcy of General Motors, Chrysler, and Ford looked imminent in 2008–2009. Most of the suppliers sold exclusively to the three automakers. As a result, they had to rapidly find other markets, products to make for those markets, and ways to sell them—all of which required significant human resources changes and challenges.

LEARNING OUTCOME 1

Think of a firm you do business with that is facing dramatic changes in order to survive. (Blockbuster is an example.) How do you think the firm's personnel can help it adapt? What role will the company's HR staff play in helping with that goal?

Human Resources Managers and Business Strategy

Ten or 20 years ago, human resources personnel were often relegated to conducting administrative tasks. But that has changed. Executives know that human resource professionals can help them improve not only a company's bottom line by streamlining employment costs but the top line by forecasting labor trends, designing new ways to acquire and utilize employees, measuring their effectiveness, and helping managers enter new markets. Says Robin Lissak with the HR consulting arm of Deloitte, "Most business leaders say they want [HR] to focus on the new types of services companies need and want. They include driving mergers and acquisitions and helping companies enter new markets, like expanding to China." Executives at these companies expect their HR personnel to be able to answer questions such as, "What is our entry strategy? Who should we send first? Where should we locate our sales, production, and other personnel, and how do we keep them safe abroad? How do we manage a crisis should it occur?[6]

To answer questions such as these, human resources managers need an intimate understanding of their firms' competitive business operations and strategies, whatever they may be. During what is being called the "Great Recession," which began in 2008, many companies pursued cost-cutting strategies, often in part by trimming workers' benefits. Other companies took a different strategy: They beefed up their benefit programs to attract top talent from other companies and expanded in order to be ready when the economy began growing again.

Total quality improvements (TQM), reengineering, downsizing, outsourcing, and the like are also examples of the means organizations use to modify the way they operate in order to be more successful. **Six Sigma quality** is a set of principles and practices whose core ideas include understanding customer needs, doing things right the first time, and striving for continuous improvement. **Reengineering** has been described as "the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in cost, quality, service, and speed."[7] **Downsizing** is the planned elimination of jobs, and **outsourcing** simply means hiring someone outside the company to perform business processes that were previously done within the firm.

A common denominator of all these strategies is that they require companies to engage in **change management.** Change management is a systematic way of bringing about and managing both organizational changes and changes on the individual level. According to a survey by the research institute Roffey Park, two-thirds of firms believe that managing change is their biggest challenge. Although most employees understand that change is continuous—responsibilities, job assignments, and work processes change—people often resist it because it requires them to modify or

Six Sigma quality
A set of principles and practices whose core ideas include understanding customer needs, doing things right the first time, and striving for continuous improvement

reengineering
Fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in cost, quality, service, and speed

downsizing
Planned elimination of jobs

outsourcing
Contracting outside the organization to have work done that formerly was done by internal employees

change management
Change management is a systematic way of bringing about and managing both organizational changes and changes on the individual level

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abandon ways of working that have been successful or at least familiar to them. Successful change rarely occurs naturally or easily.

To manage change, executives and managers, including those in HR, have to envision the future, communicate this vision to employees, set clear expectations for performance, and develop the capability to execute by reorganizing people and reallocating assets. Organizations that have been successful in engineering change:

- Link the change to the business strategy.
- Show how the change creates quantifiable benefits.
- Engage key employees, customers, and their suppliers early when making a change.
- Make an investment in implementing and sustaining change.[8]

reactive change
Change that occurs after external forces have already affected performance.

proactive change
Change initiated to take advantage of targeted opportunities

Some of the strategic changes companies pursue are **reactive changes** that result when external forces, such as a the competition, a recession, law change, or a crisis (such as BP's offshore oil spill in the Gulf of Mexico in 2010) have already affected an organization's performance. Other strategies are **proactive change,** initiated by managers to take advantage of targeted opportunities, particularly in fast-changing industries in which followers are not successful.

Six Sigma
A process used to translate customer needs into a set of optimal tasks that are performed in concert with one another

Good HR managers know that they can be key players when it comes to driving the business strategies of their organizations in order to make changes. That is why forward-looking CEOs such as Gary Kelly of Southwest Airlines, Howard Schultz at Starbucks, and Jeff Immelt at GE make certain that their top HR executives report directly to them and help them address key issues.

A rapidly growing number of companies, including Ford, Intel, and United Technologies, are assigning HR representatives to their core business teams to make certain they are knowledgeable about core business issues. Companies are increasingly rotating non-HR managers *into* HR positions and vice versa to give them exposure to different areas of the organization. Rather than emphasizing the administrative aspects of HR, forward-thinking companies develop and promote their HR personnel and provide them with key business statistics and numbers they can use to measure the effectiveness of the workforce. We will discuss more about competitive HR strategies and HR in Chapter 2. Meanwhile, keep in mind that HR's role is not all about providing advice to CEOs and supervisors. In addition to serving as a strategic partner to management, HR managers are also responsible for listening to and advocating on behalf of employees to make sure their interests are aligned with those of the firm and vice versa. A good deal of evidence suggests that this is one of the toughest parts of an HR manager's job. We will discuss more about this aspect of the job later in the chapter.

globalization
The trend toward opening up foreign markets to international trade and investment

LEARNING OUTCOME 2
Why do firms that sell their products only domestically have to be concerned about globalization and its HRM implications?

Challenge 2: Competing, Recruiting, and Staffing Globally

The strategies companies are pursing today increasingly involve one or more elements of **globalization.** The integration of world economies and markets has sent businesses abroad to look for opportunities as well as fend off foreign competitors domestically. Consumers around the world want to be able to buy "anything, anytime, anywhere," and companies are making it possible for them to do so. Want to buy a Coke in Pakistan? No problem. Coca-Cola has an elaborate delivery system designed to transport its products to some of the remotest places on the planet. In fact, the company

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has long generated more of its revenues abroad than it does in the U.S. But globalization is not of interest only to large firms like Coca-Cola. While estimates vary widely, approximately 70 to 85 percent of the U.S. economy today is affected by international competition, including small companies.

About 10 percent of what Americans produce every year dollar-wise is sold abroad. According to the Small Business Administration, nearly 97 percent of all U.S. exporters are small companies. These firms employ about half of all the private sector employees in the nation. On the flip side, since the 1970s, every year, American citizens and businesses have purchased more goods and services abroad—including labor—than they have sold.



John Coletti/Jon Arnold Images Ltd/Alamy

Thanks to today's global economy in which many companies, large and small, market their products in their home countries and abroad, it is possible to find familiar products for sale virtually anywhere in the world.

Partnerships and mergers are two other ways companies both large and small are globalizing. Coca-Cola has tried to expand in China by partnering with that nation's largest juice maker. Spring Hill Greenhouses, a small firm in Lodi, Ohio, partners with florists through associations such as FTD and Teleflora to work with lily and tulip growers in the Netherlands and rose growers in Colombia to serve customers around the world.

As a result of globalization, the national identities of products are blurring too. BMW has traditionally been a German brand, but now the automaker builds cars in the United States, China, and elsewhere. Likewise, you probably think of Budweiser as an American beer, but would it surprise you to know that the maker of Budweiser (Anheuser-Busch) is owned by a Belgian company called InBev? Like many other companies, Anheuser-Busch InBev is now looking for factories and brands in China to purchase in order to expand its sales.[9]

Numerous free-trade agreements forged between nations in the last half century have helped quicken the pace of globalization. The first major trade agreement of the twentieth century was made in 1948, following World War II. Called the General Agreement on Tariffs and Trade (GATT), it established rules and guidelines for global commerce between nations and groups of nations. Although the Great Recession temporarily caused a sharp drop in the amount of world trade, since GATT began world trade has literally exploded, increasing nearly thirty times the dollar volume of what it once was. This is three times faster than the world's overall output has grown during the same period. GATT paved the way for the formation of many major trade agreements and institutions, including the European Union in 1986 and the North American Free Trade Agreement (NAFTA) in 1994, encompassing the United States, Canada, and Mexico. The World Trade Organization (WTO), headquartered in Lausanne, Switzerland, now has more than 150 member countries, and new free-trade agreements seem to be forged annually.[10]

How Globalization Affects HRM

For all of the opportunities afforded by international business, when managers talk about "going global," they have to balance a complicated set of issues related to

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different geographies, including different cultures, employment laws, and business practices, and the safety of employees and facilities abroad. Human resources issues underlie each of these concerns. They include such things as dealing with employees today who, via the Internet and social media, are better informed about global job opportunities and are willing to pursue them, even if it means working for competing companies or foreign companies. Gauging the knowledge and skill base of workers worldwide and figuring out how best to hire and train them (sometimes with materials that must be translated into a number of different languages) is also an issue for firms. Relocating managers and training foreign managers abroad to direct the efforts of an international workforce is a challenge as well. In Chapter 15, we will explain how these challenges are tackled.

LEARNING OUTCOME 3

Does a company's HRM function need to be an integral part of its sustainability and corporate social responsibility efforts? Why or why not?

Challenge 3: Setting and Achieving Corporate Social Responsibility and Sustainability Goals

Globalization has led to an improvement in people's living standards in the last half century. As a result of free trade, Americans are able to buy products made abroad more cheaply. Conversely people in low-wage countries that make those goods and services are becoming wealthier and are beginning to buy American-made products. Nonetheless, globalization stirs fierce debate—especially when it comes to jobs. Since the turn of the century, millions of U.S. jobs—both white and blue collar—have been exported to low-wage nations all around the world. Some people worry that free trade is creating a "have/have not" world economy, in which the people in developing economies and the world's environment are being exploited by companies in richer, more developed countries. This has sparked anti-free-trade protests in many nations.

Concerns such as these, coupled with corporate scandals over the years, including the use of sweatshop labor in third-world countries, risky lending tactics that fueled a worldwide banking crisis, and a class action lawsuit alleging Walmart discriminated against hundreds of thousands of female employees over the years, have led to a new focus on **corporate social responsibility,** or good citizenship. In a recent survey, the Chronicle of Philanthropy found that 16 percent of companies were making more donations of products and services and that 54 percent of companies were encouraging more employees to volunteer their time.[11] Companies are learning (sometimes the hard way) that being socially responsible both domestically and abroad can not only help them avoid lawsuits but also improve their earnings. For example, researchers at the Boston College's Center for Corporate Citizenship found that as a company's reputation improved, so did the percentage increase in the number of people who would recommend that firm. Nearly two-thirds of the members of the 80-million strong millennial generation (people born in the 1980s and 1990s) consider a company's social reputation when deciding where to shop, and 9 out of 10 of them say they would switch brands based on their perceptions of a company's commitment to social responsibility.[12] Moreover, prospective workers are saying corporate responsibility is now more important to their job selection.

corporate social responsibility
The responsibility of the firm to act in the best interests of the people and communities affected by its activities

Sustainability is closely related to corporate social responsibility. Sustainability refers to a company's ability to produce a good or service without damaging the environment or depleting a resource. Achieving complete sustainability is nearly impossible, but companies are making strides to reduce their "carbon footprints." Those that are not are finding themselves under pressure from consumers and groups determined that they do. Consider what happened to Hewlett-Packard (HP). After HP broke

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After the 2010 Deepwater Horizon oil spill in the Gulf of Mexico—one of several accidents in BP Oil's history that have harmed both people and the environment—many people, including these demonstrators, demanded that BP change its approach to corporate social responsibility

a promise to eliminate toxic materials in its computers by 2009, Greenpeace activists painted the words "Hazardous Products" on the roof of the company's headquarters in Palo Alto, California. Meanwhile, a voicemail message from *Star Trek* actor William Shatner was delivered to all of the phones in the building. "Please ask your leader [HP CEO Mark Hurd] to make computers that are toxin free like Apple has done," Shatner said in the recording. The stunt and publicity it generated worked. HP got the message and later delivered on its promise.[13]

One of HR's leadership roles is to spearhead the development and implementation of corporate citizenship throughout their organizations, especially the fair treatment of workers.[14] Highlights in HRM 1 lists a number of Internet sites of organizations that have developed different conduct codes used by firms around the world. Also listed are a number of general websites useful to HR professionals.

Challenge 4: Advancing HRM with Technology

Advancements in information technology have enabled organizations to take advantage of the information explosion. Computer networks and "cloud computing" (Internet computer services and data storage) have made it possible for nearly unlimited amounts of data to be stored, retrieved, and used in a wide variety of ways. **Collaborative software** that allows workers anywhere anytime to interface and share information with one another electronically—wikis, document-sharing platforms such as Google Docs, online chat and instant messaging, web and video conferencing, and electronic calendar systems—have changed how and where people and companies do business. For example, Boeing Satellite Systems has a "lessons learned" site on its intranet where people from all areas of the company can store the knowledge they have and others can access it. Executives at Boeing estimate the measure has reduced the cost of developing a satellite by as much as $25 million.[15]

LEARNING OUTCOME 4

In what ways can the HR managers and employees of small firms facilitate their competitiveness relative to firms with superior technology? Why are employees still key?

collaborative software

Software that allows workers to interface and share information with one another electronically

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1

HIGHLIGHTS IN **HRM**

A Guide to HR Internet Sites



HR professionals can access the following websites for current information related to human resources.

Codes of Conduct

- Global Business Initiative on Human Rights' Guiding Principles (www.global-business-initiative.org)
- APEC Course of Action on Fighting Corruption and Ensuring Transparency (http://www.apec.org)
- Caux Round Table Principles for Business (http://www.cauxroundtable.org)
- Fair Labor Association Workplace Code of Conduct (http://www.fairlabor.org)
- Global Sullivan Principles of Social Responsibility (http://www.thesullivanfoundation.org)
- ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (http://www.ilo.org)
- OECD Guidelines for Multinational Enterprises (www.oecd.org)
- OECD, Corporate Governance Principles (http://www.oecd.org)
- Rules of Conduct to Combat Extortion and Bribery in International Business Transactions (International Chamber of Commerce, http://www.iccwbo.org)
- United Nations Universal Declaration of Human Rights (http://www.un.org)

General

- AFL-CIO (http://www.aflcio.org)—union news, issue papers, press releases, links to labor sites
- American Management Association (http://www.amanet.org)—AMA membership, programs, training, and so on
- U.S. Department of Commerce's FedWorld (http://www.fedworld.gov)—a gateway to many government websites
- HR Professional's Gateway to the Internet (http://www.hrprosgateway.com)—links to HR-related web pages
- Occupational Safety and Health Resources (http://www.osh.net)—OSHA-related sites, government pages, resources, and so on
- Society for Human Resource Management (http://www.shrm.org)—current events, information, connections, and articles
- Telecommuting, Telework, and Alternative Officing (http://www.gilgordon.com)—telecommuting and flexible hours
- Training, Learning, and Development Resource Center (http://www.thetrainingworld.com)—job mart, training links, and electronic mailing list links
- U.S. Department of Labor (http://www.dol.gov)—job bank, labor statistics, press releases, grants, and contract information

The Internet and social media are also having an impact. Social media networking has become the new way to find employees and check them out to see if they are acceptable candidates. Companies are hiring firms such as Social Intelligence, which combs through Facebook, LinkedIn, Twitter, Flickr, YouTube and "thousands of other sources" to create reports about the "real you"—not the "you" you have presented in your resume.[16] (Care to change your Facebook page, anyone?) HR managers are also grappling with whether or not to develop blogging and social media policies,

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and whether or not to establish rules about the amount of time employees can spend online or install software that cuts them off after a certain amount of time.

From Touch Labor to Knowledge Workers

Advanced technology tends to reduce the number of jobs that require little skill and to increase the number of jobs that require considerable skill. In general, this transformation has been referred to as a shift from "touch labor" to **knowledge workers,** in which employee responsibilities expand to include a richer array of activities such as planning, decision-making, and problem-solving.[17]

knowledge workers
Workers whose responsibilities extend beyond the physical execution of work to include planning, decision-making, and problem-solving

Technology, transportation, communications, and utilities industries tend to spend the most on training. Knowledge-based training has become so important that Manpower Inc., the largest employment agency in the United States, offers free information technology training through its Manpower Training and Development Center (http://www.manpowertdc.com), an online university for its employees in its 4,000 offices worldwide. The Manpower site features thousands of hours of online instruction in technology applications, along with professional development, business skills, and telecommunications courses. In fact, Manpower is so focused on developing technical skills in potential employees that it has set up the system so that some training and career planning information is available to those who simply send the company a resume. "Just-in-time" learning delivered via the Internet to employees' desktops when and where they need training has become commonplace. "Virtual" learning is taking place as well. IBM, Cisco, Kelly Services, and Manpower are among the companies that have built training facilities, offices, and meeting rooms inside the online reality game Second Life. The spaces these companies build online enable them to do certain things more easily and cheaply than they can in the real world—for example, bringing people from several continents into one room for training.[18]

Influence of Technology on HRM

Perhaps the most central use of technology in HRM is an organization's **human resources information system (HRIS).** Because HR affects the entire workforce—everyone who works for the company must be hired, trained, paid, and promoted, usually through HR—the impact of HRIS has been dramatic. It has become a potent weapon for lowering administrative costs, increasing productivity, speeding up response times, improving decision-making, and tracking a company's talent.

human resources information system (HRIS)
A computerized system that provides current and accurate data for purposes of control and decision-making

The most obvious impact has been *operational*—that is, automating routine activities, alleviating administrative burdens, reducing costs, and improving productivity internal to the HR function itself. The most frequent uses include automating payroll processing, maintaining employee records, and administering benefits programs. "Self-service"—setting up systems, usually on an intranet, allows managers to access employee records themselves for administrative purposes and allows employees to access and change their own benefits and other personal information.

The second way in which information technology is affecting human resources management is *relational* in nature—connecting people with each other and with HR data they need. For example, companies are using software to recruit, screen, and pretest applicants online before hiring them as well as to train, track, and promote employees once they have been hired. The drugmaker Merck's HRIS captures information from job recruiting sites, scans applicants resumes, and makes the information immediately accessible to managers so they can search systematically for the people whose skills they want. Managers can search online for internal and external talent by running searches of candidates who have been categorized by skill set.[19]

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The third effect of human resources information systems is *transformational* in nature—changing the way HR processes are designed and executed. Corning, Inc. uses HR software, among other things, to set the developmental goals of its employees once they have been hired and to gauge how well they are meeting them. Employees can look online to see their own goals and mark their progress as well as see everyone else's goals in the command chain, from the CEO down to their immediate supervisors. This "cascading" of goals has helped Corning's employees align their personal goals with the organization's overall objectives in order to reach higher levels. "Like any large company, we tended to get 'silo-ed' and fragmented the more we grew," said one vice president at a company using a system similar to Corning's. "We needed a better way to pull our global team together and get people focused on what the priorities are for our business."[20]

So what sort of system should HR professionals choose among the many options available to them? Prepackaged, or "canned," HR web-based solutions are as commonly used as custom-designed systems. Generally, companies also have the choice of hosting the applications on their own servers or having software vendors such as IBM or PeopleSoft do it for them. Experts say the first step in choosing a HRIS is for HR personnel to evaluate the biggest "headaches" they experience, or most time-consuming tasks, and then choose the applications that can have the strongest impact on the firm's financial measures—that is, the ones that get the "biggest bang for the buck." These applications are more likely to get "buy-in" from the firm's top managers. HR managers should then calculate the costs based on average salaries, or HR hours, that could be saved by using a human resources information system, along with the hours of increased productivity that would occur as a result. Highlights in HRM 2 shows the other factors that need to be evaluated.

When an effective HRIS is implemented, perhaps the biggest advantage gained is that HR personnel can concentrate more effectively on the firm's strategic direction instead of on routine tasks. This can include forecasting personnel needs (especially for firms planning to expand, contract, or merge), planning for career and employee promotions, and evaluating the impact of the firm's policies—both those related to HR functions and other functions—to help improve the firm's earnings and strategic direction. "We wanted our HR teams to focus on people issues instead of data problems," explains Sandra Hoffman, CIO-in-residence at the Advanced Technology Development Center, which is part of the Enterprise Innovation Institute at Georgia Tech.

Although the initial drive to adopt human resources information systems was related to cutting HR costs, HR managers have since discovered that the systems have allowed them to share information with departmental managers, who, by having access to it, have been able to come up with better production practices and cost control solutions. As a result, HR managers are now requiring their application providers to provide them with software to meet certain goals, including lowering a company's total spending on employee health care and improving its customer service.[22]

However, companies simply cannot turn over their strategic talent issues to a human resources information system. Researchers Douglas Ready and Jay Conger found that despite such systems—electronic or otherwise—most of the firms they examined lacked high-potential employees to fill strategic management roles. Although companies had talent management processes in place, they were no longer in sync with the company's strategic direction. In addition, managers often get sidetracked by priorities other than identifying talent.[23]

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2 HIGHLIGHTS IN **HRM**

Factors to Consider When Evaluating a Human Resources Information System



The following factors are key considerations HR managers need to consider when their firms are evaluating a human resources information system (HRIS).

- *Fit of the application to the firm's employee base.* If many of the firm's employees work on a factory floor, is the system appropriate, or does HR need to install kiosks in employee areas? How will the information be secured? Will employees need to be assigned passwords? Can they access the information from off-site, for example, from their homes?
- *Ability to upgrade or customize the software.* What sorts of costs will be involved to upgrade the software in the coming years?
- *Compatibility with current systems.* Does the HRIS link into existing, or planned, information systems easily and inexpensively?
- *User friendliness.* Does the software provide additional features such as links to learning resources or help for managers who might need it?
- *Availability of technical support.* Should the HRIS system be supported internally, or should the vendor host it? What are the vendor's technical support capabilities?
- *Time required to implement and train staff members to use the HRIS, including HR and payroll personnel, managers, and employees.* Who is responsible for training employees, and how will it be done?
- *Initial costs and annual maintenance costs.* Is a "suite" of applications needed or just a few key applications? Experts advise HR managers to price each application separately and then ask vendors for a "bundled" price.[21]

Procter & Gamble (P&G) is an exception, noted Ready and Conger. P&G's HRIS system makes good internal candidates visible to managers instead of the managers having to scour the company to find them. The system contains information about its 135,000 employee worldwide for promotion purposes at the country, business category, and regional levels. It contains employees' career histories and capabilities, as well as education and community affiliations, their development needs, and tracks the diversity of candidates. Perhaps most importantly, managers are evaluated and compensated on their ability to find and groom talented employees. Procter & Gamble's results are consistent with Ready and Conger's findings that firms do a better job of fostering talent when there is commitment, involvement, and accountability by a company's supervisors to do so rather than when the task is "owned" by the HR department.[24]

LEARNING OUTCOME 5

If you were an HR manager, do you think it would be possible to maintain the morale of your firm's employees in the face of shrinking budgets and benefits? How might you do so?

Challenge 5: Containing Costs While Retaining Top Talent and Maximizing Productivity

For years, most human resources managers have been under pressure to cut labor costs. When the Great Recession hit, stretching a company's labor dollars while gaining productivity from workers became an even bigger priority. Organizations take

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many approaches to lowering labor-related costs, including carefully managing employees' benefits, downsizing, outsourcing, offshoring, furloughing employees, and engaging in employee leasing in an attempt to enhance productivity.

Few jobs come with lifetime guarantees and benefits that will never change. Nonetheless, employees want to work for employers that can provide them with a certain amount of economic security. Layoffs and cuts in employee benefits have heightened these concerns. Some companies, such as Google, are able hire talented employees by offering them a great deal of job security and fantastic benefits. However, most companies, especially small ones or ones that are struggling, find it hard to compete with bigger firms like Google with deluxe benefit packages. What can they do? This is where an HR manager's expertise and creativity comes in. Read on to see how firms are handling this challenge.

Managing Benefits

Labor costs are one of the largest expenditures of any organization, particularly in service- and knowledge-intensive companies. As a result, most firms closely monitor employee pay and benefit programs. One casualty of cost cuts has been employee pensions. In 1980, a little under 40 percent of private-sector workers had pension plans, guaranteeing them a certain amount of money in retirement. Today, only 15 percent do.[25] In difficult economic times, some companies temporarily suspend contributing to employees' 401(k) plans and lower or cut their bonus plans.

The biggest HR concern presently has, when it comes to benefits, is skyrocketing health care costs and complying with the nation's new health care reform laws. In many industries health care costs are now approaching 30 percent of total compensation.[26] One trend is for firms to shift employees to high-deductible plans. Employees pay lower premiums, but they have to pay a certain amount of money, even for basic care, before their insurance will begin picking up the tab. Another approach is to offer employees incentives to get healthy—for example, by quitting smoking, losing weight, or exercising. According to research by the University of Pennsylvania's Center for Health Centers, at least one-third of companies offer or plan to offer their employees incentives for activities such as these. Some companies offer money, prizes, vacation trips, lower health premiums, or refund the cost of weight loss programs. OhioHealth, a hospital chain whose employees are mostly overweight, went so far as to outfit them with pedometers and pay them up to $500 a year depending upon how far they walk.[27] Rather than cutting its health care benefits, Cerner Corp., a medium-sized Kansas-City based technology company, looked at statistics and other data to find out which diseases its workers were most likely to suffer from and adjusted its employee health-and-wellness programs accordingly. The company has been able to lower its health care costs as a result. Cerner employees benefit too. Those who get screened for health issues get points that lower their insurance premiums.

Downsizing

As you probably know, downsizing was used extensively by firms during the Great Recession, causing the U.S. unemployment rate to jump up to about 10 percent. (In some states it was higher: 15 percent in Nevada and over 12 in percent California and Michigan. By contrast, in North Dakota, it was a little over 4 percent.)[28] Downsizing does not just take a toll on those who lose their jobs. Employees who are "lucky" enough to keep their jobs often feel guilty they have been retained, mourn the loss of their coworkers, and worry that they will be the next to go. These people, who are

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generally the firm's best performers, also usually end up picking up the work their former coworkers used to do for the same salary. When the economy improves or they see a chance, they tend to head for the door.

How do firms continue to encourage employees to work hard for the company in the face of such insecurity? More than one executive has concluded that you do not get dedicated and productive employees if, at the first sign of trouble, you show them that you think they are expendable. To approach downsizing more intelligently, companies such as Continental Airlines and Dial Corporation have made special efforts to reassign and retrain employees for new positions when their jobs are eliminated. When L. L. Bean realized the company needed to eliminate some jobs, instead of simply laying off people, it offered early retirement and "sweetened" voluntary separation programs as well as sabbaticals to employees for continuing their education.[29]

Downsizing is no longer just a short-term fix when times are tough, though. It has now become a tool continually used by companies to adjust to changes in technology, globalization, and the firm's business direction. For example, in a study that surveyed 450 senior HR executives at companies that had downsized, only 21 percent said that financial difficulties had spurred the cutbacks. Thirty-four percent of the executives said that the downsizing was done to strengthen their companies' future positions, 21 percent said it was done to achieve fundamental staff realignment, and 17 percent said it was due to a merger or acquisition.

Whatever the reason, while some firms improve efficiency (and lower costs) with layoffs, many others do not. Some hidden costs of downsizing include the following:

- Severance and rehiring costs
- Accrued vacation and sick day payouts
- Pension and benefit payouts
- Potential lawsuits from aggrieved workers
- The loss of institutional memory and trust in management
- A lack of staffers when the economy rebounds
- Survivors who are risk averse, paranoid, and focused on corporate politics

Concerns such as these have led some firms to establish a policy of "no layoffs." Nucor Steel is one company with a no-layoff policy. Companies like Nucor say they get some important benefits from such policies:

- A fiercely loyal, more productive workforce
- Higher customer satisfaction
- Readiness to snap back with the economy
- A recruiting edge
- Workers who, knowing their jobs are safe, are not afraid to innovate.[30]

The results of working hard to retain an organization's talent are measurable as well. A Watson Wyatt study showed that companies with excellent recruiting and retention policies provide a 1.4 percent higher return to shareholders compared to those that do not.

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Furloughing

furloughing
A situation in which an organization asks or requires employees to take time off for either no pay or reduced pay

An alternative to downsizing is **furloughing.** When a company furloughs employees, it asks them to take time off for either no pay or reduced pay. Some companies are utilizing creative furlough strategies to avoid downsizing and losing talent to competitors. Instead of laying off people, the consulting firm Accenture instituted a voluntary sabbatical program known as "Flexleave." Employees got 20 percent of their salaries and continued benefits for 6–12 months, and their stock options remained in place. The workers could take other jobs during their sabbaticals, as long as they did not work for a competitor. Cisco Systems offered 8,500 employees an unusual deal as well. Instead of a severance package, they received a third of their salaries, all benefits, and stock-option awards while working for one year at a not-for-profit group already associated with the company. Likewise, when Texas Instruments (TI) had to lay off some of its employees, it did not just send them out the door. It found them jobs with its suppliers with the agreement that the employees would return to TI when business picked up.[31]

Although furloughs might sound preferable to downsizing, they have their drawbacks, too, say some human resources experts. Costs are not cut as significantly as they would be with downsizing because employees generally retain their benefits while they are furloughed. Employees who are not furloughed often end up with more work and feel resentful, and product and service quality as well as innovation suffer as a result of the higher workloads. And, as with downsizing, furloughing employees can hurt a company's recruiting efforts when the public discovers it has resorted to such a measure.[32]

More diligent workforce planning is a better solution, says John Sullivan, an HR expert and consultant. Business revenues seldom fall off overnight. Sullivan says the best managers look for warning signs and develop a process that pinpoints skills the company no longer needs, low-impact jobs, and poor performers in advance of a crisis. Instead, part-time or contract employees can be hired and their hours of service adjusted as needed.[33]

Outsourcing

Over the past twenty-five years, the employment relationship between companies and employees has shifted from relationship based to transaction based. Fewer people are working for one employer over the course of their lifetimes, and as we have explained, the Internet has created a workforce that is constantly scanning for new opportunities. In addition, more people are choosing to work on a freelance, or contract, basis or to work part-time, especially women and senior citizens. Outsourcing is evidence of this trend.[34] Companies hire accounting firms to take care of their financial services. They hire advertising firms to handle promotions, software firms to develop data-processing systems, and law firms to handle their legal issues. Maintenance, security, catering, payroll (and in small companies, sometimes entire HR departments) are outsourced to increase the organization's flexibility and lower its overhead costs.

The interest in outsourcing has been spurred on by executives who want to focus their organization's activities on what they do best. In fact, some management experts predict companies will one day strip away every function not regarded as crucial. Even now, many firms are outsourcing what would seem to be their core functions. Drug companies such as GlaxoSmithKline are outsourcing their research and development functions to smaller firms that can more cheaply and nimbly create new products for them. Procter & Gamble outsources a major portion of its product development.

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Outsourcing has been one of the most prominent HR trends of the last ten years and will continue to be.[35]

Offshoring

Offshoring, also referred to as "global sourcing," involves shifting work to locations abroad. Cost reductions are among the key motivators for offshoring. Dramatically reduced labor costs can be achieved by reallocating work to countries such as India, where highly educated workers can perform the same jobs as U.S. workers at half the price. Other labor markets include the Philippines, Russia, China, Mexico, Brazil, Hungary, and Bosnia, where workers are paid only a small fraction of what American workers make.



© Andrew Holbrooke/Corbis

Offshoring work to countries that offer a highly educated yet lower paid work force has become a common cost-cutting strategy for American firms.

offshoring
The business practice of sending jobs to other countries

In some cases, offshoring is done to allocate work across the various countries in which a company does business. In other cases, managers are finding that if they save money by offshoring, they can rescue failing businesses, make better use of their skilled U.S. labor, and deliver products more cheaply and quickly because they have people across the globe working 24-7 on them.[36]

But as with downsizing, hidden costs can sometimes chew up much of the financial gains from offshoring, including the costs associated with finding foreign vendors, productivity lost during the transition, domestic layoff costs, language difficulties, international regulatory challenges, and political and economic instability that can threaten operations and even employees. (French workers, for example, have, on occasion, been known to take a CEO or two captive to get what they want in terms of their labor demands.) Drawbacks such as these have led some companies to bring jobs back to their domestic markets. Delta Air Lines is among the firms that returned their call-center operations to the United States after customers complained about the service they received from personnel in foreign companies.

Another new trend is "nearshoring." Nearshoring is the process of moving jobs closer to one's home country. For example, rising labor costs in China are now making it attractive for U.S. firms to offshore work to Mexico and Central America. Shipping the finished goods made there is also cheaper, and the products get to sellers (and ultimately the buyers who want them) more quickly, which can provide a firm with a competitive advantage. Yet another new way companies are both economizing and bringing jobs back to their domestic markets is by "homeshoring." Call-center jobs are a notable example. When a company homeshores call-center jobs, it outsources the work to domestic independent contractors who work out of their homes.

Offshoring, nearshoring, and homeshoring are going to continue to be key employment strategies as global economies continue to shift. The key is for top managers, finance departments, and the offshoring consulting firms they hire to begin working in conjunction with their companies' HR departments prior to these activities occurring. "Companies can minimize hidden costs and maximize their returns by enabling HR to have a seat at the table early so they can carefully address issues such as the types of jobs that should and should not be outsourced, skill and language

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requirements, labor costs by market, alternative talent pools, workforce training, retraining, and change management," says Mark Arian, a corporate restructuring executive for the HR consulting group Hewitt. To minimize problems, HR managers have to work together with the firm's other functional groups to define and communicate transition plans, minimize the number of unknowns, and help employees identify their employment options.[37]

Employee Leasing

employee leasing
The process of dismissing employees who are then hired by a leasing company (which handles all HR-related activities) and contracting with that company to lease back the employees

As an alternative to downsizing, outsourcing, offshoring, and furloughing, many companies, especially small ones, have decided to sign **employee leasing** agreements with professional employer organizations (PEOs). A PEO—typically a larger company—takes over the management of a smaller company's HR tasks and becomes a coemployer to its employees. The PEO performs all the HR duties of an employer—hiring, payroll, and performance appraisal. Because PEOs can coemploy a large number of people working at many different companies, they can provide employees with benefits that small companies cannot afford, such as 401(k) and health care plans, workers' compensation, and even adoption assistance. In addition, many PEOs offer their employees flextime, job sharing, part-time employment, consulting arrangements, seasonal work, and on-call work. The value of employee leasing lies in the fact that an organization can essentially maintain its working relationships with its employees but shift some employment costs to the PEO, in return for a fee. More details on employee leasing will be discussed in Chapter 5.[38]

Productivity Enhancements

The results of pure cost-cutting efforts such as downsizing, furloughing, outsourcing, and employee leasing can be disappointing, however, if managers use them as simple solutions to complex performance problems. Overemphasizing labor costs misses the broader issue of improving a firm's productivity. Employee productivity is the result of a combination of employees' abilities, motivation, and work environment and the technology they use to work. Since productivity can be defined as "the output gained from a fixed amount of inputs," organizations can increase their productivity either by reducing their inputs (the cost approach) or by increasing the amount that employees produce by adding more human and/or physical capital to the process. Companies such as Southwest Airlines, Nucor, and the manufacturing and technology firm Danaher achieve low costs in their industries not because they scrimp on employees but because they are the most productive.

In absolute terms, the United States remains the world's most productive nation, even when it comes to manufacturing. Apparel and textile manufacturing have dried up in the nation, but they have been replaced by industries that rely more on technological precision and brainpower than on low-skilled labor—industries for aircraft, sophisticated machinery, medical devices, and so on.[39] However, the growth in output per worker is now climbing fast in less-developed countries such as China that have lacked expertise and technology in the past but are making strides to close the gap. When the investment in faster computers and more efficient machine tools levels off, this limits how much assistance technology can offer employees in terms of their productivity. Any additional productivity will have to come from the enhanced ability of employees, their motivation, and their work environment, which makes the job of the HR manager in the coming years all the more crucial.[40]

Many companies are finding that providing work flexibility is a good way to improve the productivity and motivation of valuable employees, especially when giving them

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Small Business Application



A Small Business Built on Helping Small Businesses

As experienced and highly respected HR professionals, Delise West and Tonya Rochette could have easily furthered their careers by pursuing positions in large corporations or academia. Instead, they chose to forge a new path for themselves by founding Human Resource Partners, a small human resources consulting firm in Concord, New Hampshire. Friends and family thought they were both a little crazy to enter the "risky" world of owning a small business, but since joining forces twelve years ago, they have been very successful at serving other small, entrepreneurial businesses just like theirs.

West and Rochette both recognized early on that small businesses need to address HR issues just as much as larger businesses, yet small-business owners usually do not have the time or expertise to devote to these issues themselves and often do not have the financial resources to hire a full-time, knowledgeable HR manager. This pair of entrepreneurs saw that reality as an opportunity to provide a full spectrum of HR services to companies in need.

"There are so many companies who don't have the right HR infrastructure in place," said West, whose firm works mostly with companies under 70 employees. "Oftentimes, an owner of a growing business will come to me and simply say, 'I can't do it anymore' because it has become too time consuming." Some of the companies that have turned to West and Rochette for help with HR functions and strategy include a major car dealership, a regional construction company, and a local nursery.

Work with a new client typically begins with an evaluation of the firm's level of HR compliance and best practices, such as job description documentation, payroll systems, and legal interviewing practices. From there, Human Resource Partners develops strategies for the client to implement in the areas of recruiting, screening, interviewing, and hiring new staff; evaluating and recognizing current employee performance; and improving employee relations and developing supervisory skills.

By giving small firms the tools, services, and training they need, West and Rochette allow their clients to focus on their core business. Said West, Human Resource Partners lets small firms "realize the return on their investments in their greatest assets: their people."

Sources: Michael McCord, "Outsourcing Frees Owners from Time Consuming Tasks," *SeaCoastonline.com* (January 10, 2011), http://www.seacoastonline.com; company website: h-rpartners.com.

larger benefit packages is not an option. For example, when gasoline prices skyrocketed in 2008, most companies could not afford to automatically increase employees' pay because they were facing higher transportation costs themselves for the goods and services they had to buy. But some companies let employees either telecommute or, or like the state of Utah did, let employees work ten hours per day, four days a week.

Challenge 6: Responding to the Demographic and Diversity Challenges of the Workforce

Almost half of organizations reported that the biggest investment challenge facing organizations over the next ten years is obtaining human capital and optimizing their human capital investments.[41] Why is this so? Changes in the demographic makeup of employees, such as their ages, education levels, and ethnicities, is part of the reason why.

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LEARNING OUTCOME 6

Think about some of the teams you have been a member of. Which of them performed better—those that were diverse or those that were not? What challenges and opportunities did the more diverse teams present? How do you think they translate to human resources management?

To forecast trends to support the strategies of their organizations, HR managers frequently analyze the capabilities of different demographic groups and how well each is represented in both fast-growing and slow-growing occupations. Women, for example, are fairly well represented in fast-growing occupations such as health services but are also represented in some slow-growth occupations such as administrative jobs and computer and financial records processing jobs. Blacks and Hispanics have been heavily concentrated in several of the slow-growth and declining occupations. The U.S. labor force also grew more slowly in the last decade than it did in the previous one, a trend that is projected to continue.

To accommodate shifts such as these, find qualified talent, and broaden their customer bases, businesses know it is absolutely vital to increase their efforts to recruit and train a more diverse workforce. And with a more diverse workforce comes more diverse expectations on the part of employees for their employers to meet.

Ethnic and Racial Diversity in the Workforce

Figure 1.2 shows the current composition of the U.S. population and what it is expected to be in 2050. As you can see, minorities in the United States are increasing relative to the total population. U.S. workers are becoming more diverse as well. Much of the growth of the minority workforce has been due to not only the arrival of immigrants but also high birthrates among some minority groups, such as Hispanics. By 2050, the percentage of Hispanics in the United States is expected to double, and the percentage of people of Asian descent is expected to nearly double.[42]

Firms have long been criticized for hiring immigrant workers—both legal and illegal—because people believe they prevent U.S. citizens from getting jobs. Following 9/11, the backlash increased, and the number of work visas issued to foreigners by the U.S. government fell. This is a problem because, despite high unemployment rates in the nation, many American employers lack the highly qualified workers they need for key positions. To bring in the talent it needs from abroad, Microsoft has opened a facility in Vancouver, B.C., across from its Redmond, Washington, headquarters. In years past, the United States was able to attract the best and brightest of the world's talent, which fueled the country's success. But as you will learn in Chapter 15, that is changing.[43]

It is not just the most highly educated who are in demand either. Some businesses, including those in agricultural business, face labor shortages that would be even more severe without less-skilled immigrants willing to work for low pay and few or no benefits. The jobs these people do are often labor intensive and must be done in bad weather or in agricultural facilities in less-than-pleasant conditions. Throngs of

FIGURE 1.2 Composition of the U.S. Population

	2010	2050
White	64.7%	46.3%
Hispanic/Latino (of any race)	16.0	30.2
African American	12.9	13.0
Asian Americans	4.6	7.8

Source: U.S. Census Bureau.

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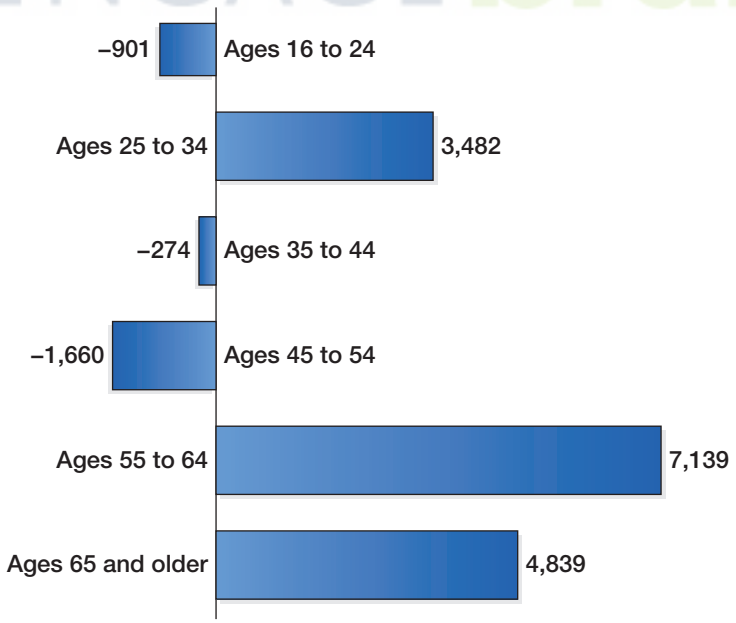
people are not lining up for these jobs. Moreover, state governments and the federal governments are beginning, to a greater extent, to crack down on firms that hire illegal immigrants, something they have been more reluctant to do in the past. Later in the book we will discuss in more detail what companies are doing in response to minority and immigration challenges and opportunities.[44]

Age Distribution of the Workforce

A significant proportion of American workers—79 million baby boomers, who constitute 26 percent of the population—are hitting retirement age. According to the Pew Research Center, 10,000 U.S. workers will turn 65 each and every day over the course of the next 19 years.[45] As a result of the retirements, the Bureau of Labor Statistics projects a shortfall of 10 million workers in the United States by 2012.

Not all baby boomers are retiring, though. Due to advances in medicine, people are staying healthier as they age and remaining in the labor force longer. A variety of factors—including an increase in the official retirement age in the United States from 65 to 67 are also keeping baby boomers working. So are economic factors: Many baby boomers' 401(k) retirement accounts have not grown as well as expected. Other boomers have not saved enough, or they have borrowed heavily to buy homes they hoped would increase in value but have not. Consequently, the number of people in the labor force aged 65 and older is expected to grow about ten times faster than the total labor force. Figure 1.3 shows the projected changes in the number of workers in the labor force by their age groups between now and 2018.

FIGURE 1.3 Projected Change in Workers in the Labor Force by 2018 According to Their Ages (in thousands)



Source: U.S. Bureau of Labor Statistics.

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Hiring older workers can be a win-win situation for both older employers and the firms that hire them. Many firms find that older workers are generally mature, dependable, and remain on the job longer than younger workers who operate more like free agents. Older workers are also often willing to work flexible hours. Websites that try to connect older Americans with employers include retirementjobs.com, seniors4hire.org, seniorjobbank.com, and yourencore.com. Home Depot, AT&T, and Pitney Bowes are among the companies that have participated in a program sponsored by the American Association of Retired Persons (AARP) in an effort to attract older workers.

The millennial generation, of which you may be a member, is also having an effect on the labor market in the United States. Also known as Generation Y, millennials are generally regarded as having good technological know-how and initiative, especially when it comes to starting their own businesses. (Facebook founder Mark Zuckerberg is a notable example.) They are particularly interested in meaningful work that will improve the world around them. As we indicated earlier in the chapter, the group is also 80 million people strong, making it the largest generation ever. Similar to the trends with baby boomers, those who constitute this new population bulge are experiencing greater competition for advancement from others of approximately the same age.

The other major generation in the workforce is Generation X, people born between 1964 and 1979. Many members of Generation X watched their baby-boomer parents get downsized at some point in their lives. Consequently, now that they are raising children themselves, Generation X-ers value job security. However, they are less likely to think of themselves as being wed to one employer as their parents were. The members of Generation X are also independent. They like challenging work rather than repetitive work, and dislike supervisors who look over their shoulders.

Managers can find themselves challenged in terms of getting the three generations to work well together. Baby boomers sometimes categorize younger workers as having a poorer work ethic. Some younger workers have the perception that older workers are set in their ways and are technologically challenged. The situation can also create supervisory issues. How will a fifty-five-year-old react to being managed by someone in their twenties or thirties? To help companies overcome these obstacles, HR departments and experts are developing programs to help the generations understand one another better so they can capitalize on one another's strengths rather than preying upon one another's weaknesses.

Keep in mind that the three generations of workers we have described here are generalizations. Individual employees are vastly different from one another and motivated by different factors, even if they belong to the same generation. It is up to managers to figure out what drives each person so as to best utilize his or her talents and to meet the person's employment demands and career aspirations.

Gender Distribution of the Workforce

Women now constitute a little under half of the U.S. workforce. About 60 percent of women age 16 and older are in the labor force, and approximately 71 percent of mothers with school-age children are employed in some capacity. As Figure 1.4 shows, although the number of women joining the U.S. labor force has leveled off, the Bureau of Labor Statistics projects that the number of women will continue to increase relative to the number of men in the workforce.[46] The educational attainment of women is also increasing relative to men. Today, three out of every five college graduates are women.

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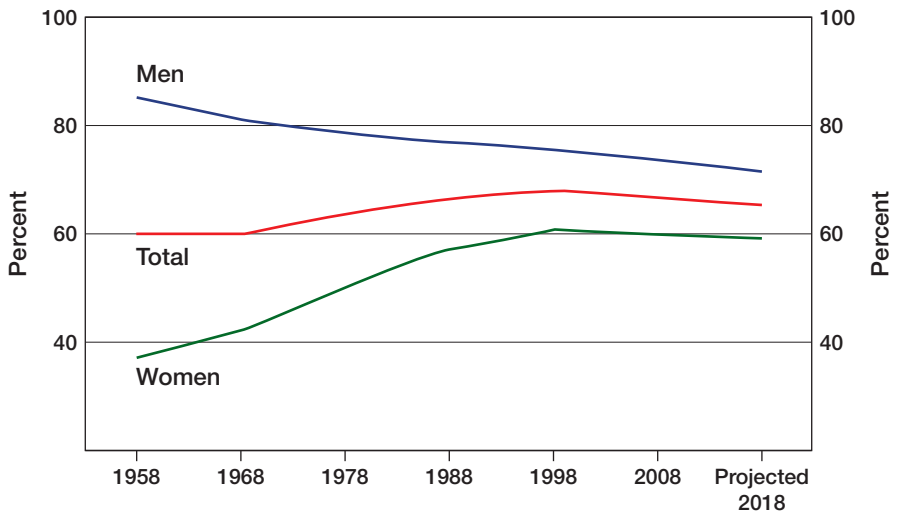
FIGURE 1.4 Labor Force Participation Rates by Gender



Source: U.S. Bureau of Labor Statistics.

Women's wages have increased too. In 1979, on average, women made 62 percent of what men made. Although the gap has not closed, it has narrowed. Women who are employed full time today make about 80 percent of what men employed full time make.[47] Unfortunately, the closing of the wage gap between the sexes has slowed since the 1990s, as has the march of women into top executive positions, despite some studies that show female CEOs frequently outperform their male counterparts.[48]

Employers wanting to attract the talent that women have to offer are taking measures to ensure they are treated equally in the workplace in terms of their advancement opportunities and compensation. In addition, more companies are accommodating working parents by offering them parental leave, part-time employment, flexible work schedules, job sharing, telecommuting, child and elder care assistance, and adoption assistance.

As we have suggested, harnessing a company's talent means being aware of characteristics *common* to employees while also managing these employees as *individuals*. It means not just tolerating or accommodating all sorts of differences but supporting, nurturing, and utilizing these differences to the organization's advantage—in other words, strategically leveraging them rather than simply managing them so that people are treated equitably and "everyone gets along."[49] HR managers have to ask themselves the following questions: What is it about the experiences, mindsets, and talents of different groups of people that can be utilized in a strategic way? After all, despite our similarities, *all* of us are different in one way or another, aside from the obvious differences we have outlined in this section. These differences, too, can be the source of organizational strength. Later in the book, we will discuss more about the steps firms can take to leverage employee differences.

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LEARNING OUTCOME 7

Education of the Workforce

Some people say the United States is losing its edge when it comes to the education of its workforce. Other people say the problem is exaggerated because the American culture encourages innovation and risk taking. Which group do you fall into? How might changing societal norms affect innovation and risk taking in an HRM context?

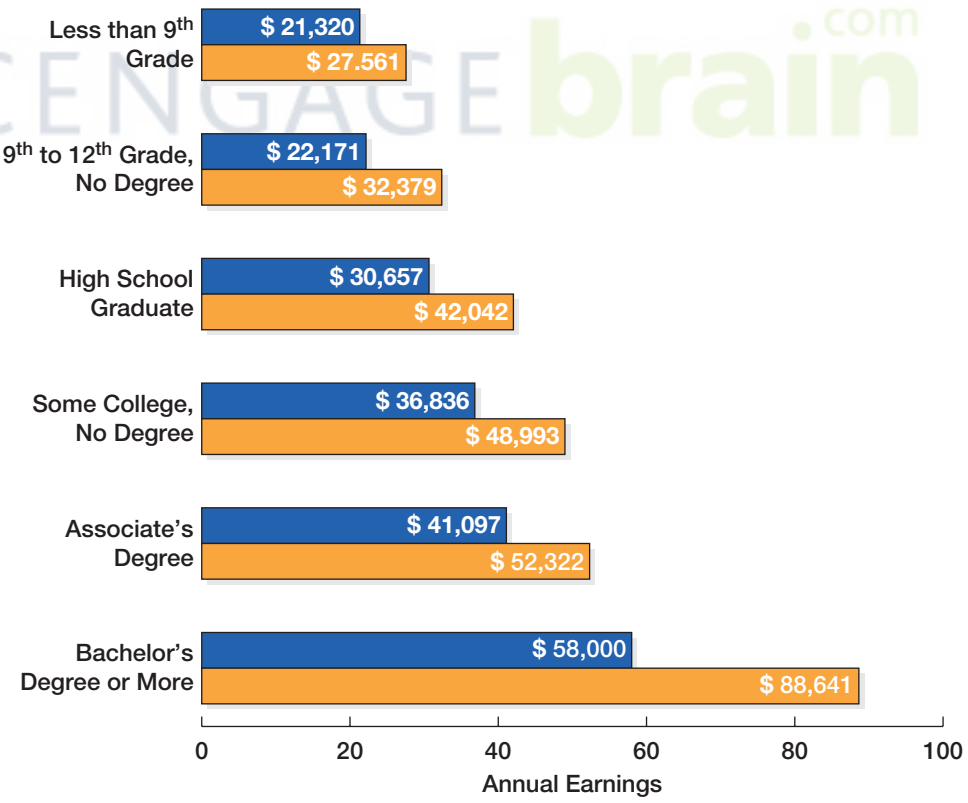
Challenge 7: Adapting to Educational and Cultural Shifts Affecting the Workforce

Over the years, the educational attainment of the U.S. labor force has risen dramatically.[50] Figure 1.5 shows that it clearly pays to get a college education. An education also helps a person stay out of the ranks of the unemployed. For example, in 2010, the unemployment rate of people ages twenty to twenty-four hit 17 percent. But those in the same age range with college degrees fared better. The unemployment rate for them was a little over 9 percent.[51]

Despite the fact the educational attainment of the labor force has risen in general, American students' math and science test scores lag behind those of students in China, Japan, Singapore, Finland, and several other nations. The U.S. Department of Education has found that less than half of all high school seniors can handle mathematics problems involving fractions, decimals, percentages, elementary geometry, and simple algebra. And between 45 and 50 percent of adults in the United States have only the limited reading and writing abilities needed to handle the minimal demands of daily living or job performance.

Businesses now spend billions of dollars on basic skills training for their employees. As David Kearns, the renowned former CEO of Xerox Corporation and ardent

FIGURE 1.5 Annual Earnings of Full-Time U.S. Workers by Education



Source: U.S. Department of Labor.

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education advocate, said, "The American workforce is in grave jeopardy. We are running out of qualified people. If current demographic and economic trends continue, American business will have to hire a million new workers a year who can't read, write, or count."[52] As the baby boomers retire, the problem will likely worsen. HR departments may have to offer higher compensation packages to attract qualified candidates, and recruiting and selection systems will have to function much more competitively.

Using the INTERNET

The U.S. Department of Labor website provides more information about employment. Go to **www.cengagebrain.com**

Cultural and Societal Changes Affecting the Workforce

The attitudes, beliefs, values, and customs of people in a society are an integral part of their culture. Naturally, their culture and society affect their behavior on the job and the environment within the organization, influencing their reactions to work assignments, leadership styles, and reward systems. Cultural and societal changes are ongoing. HR policies and procedures therefore must be adjusted to cope with these changes.

Employee Rights

Laws affecting employee rights are continually changing. In this book we will discuss the major laws affecting companies today. Among them are laws granting employees the right to equal employment opportunities (Chapter 3); union representation if they desire it (Chapter 14); a safe and healthful work environment (Chapter 12); unemployment and health care benefits as required by law, and the regulation of pension plans by the government (Chapter 11); equal pay for equal work (Chapter 9); and so on. An expanded discussion of the specific areas in which rights and responsibilities are of concern to employers and employees will be presented in Chapter 13.

Privacy Concerns of Employees

HR managers and their staff members, as well as line managers in positions of responsibility, generally recognize the importance of discretion in handling all types of information about employees. Since the passage of the federal Privacy Act of 1974, increased attention to privacy has been evident, heightened by the increase in identity theft in recent years. While the act applies almost exclusively to records maintained by federal agencies, it has drawn attention to the importance of privacy and has led to the passage of additional privacy legislation, including the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the associated privacy rule issued by the U.S. Department of Health and Human Services, which protects the use and disclosure of personal medical information.

In addition to implementing privacy policies, most companies try to limit the use of Social Security numbers on time sheets, log-in sheets, and other employment forms. Companies also restrict access to employee files, conduct background checks on employees who have access to others' files, and contract with outside firms specializing in identity theft to prevent the abuse of employee information. Globalization has added another twist to privacy compliance. For example, EU countries prohibit the transfer of personal data to countries with inadequate data protection laws.[53]

Although the Electronic Communications Privacy Act of 1986 protects people's electronic communications such as their e-mail, the rules are different when it comes to the privacy that employees can expect with regard to their electronic communications at work. Workers are learning the hard way that their employers have a right to monitor their e-mail and Internet use, for example. The information employees post on the web—either on social networking sites or on job-hunting sites such as Monster—has also become subject to scrutiny by employers.

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Because there is always a potential for litigation, firms have to tread lightly when it comes to employee privacy, though. Companies that have disciplined or fired employees for making disparaging remarks about their organizations on Internet sites such as Facebook have found themselves sued by the employees and labor organizations claiming that doing so violates the right of workers to communicate and congregate freely. Similarly, the U.S. Equal Opportunity Employment Commission has indicated it is willing to sue organizations if the background checks they conduct on candidates (to uncover their criminal backgrounds, credit histories, and so forth) have a discriminatory effect on minority groups.[54]

Camera surveillance in the workplace is also an issue, as is the use of Global Positioning Systems (GPS). The nonprofit organization Workplace Fairness reports that employers are using GPS in company cars to track where workers are, how fast they are driving, and the length of their breaks by monitoring how long their vehicles have not moved. Tracking chips in cell phones have also been used to trace the movements of employees.[55]

Is it legal to do these things? Legislators have not addressed all of these situations, but some of them are being decided in courts. However, most employers do not want to find themselves there. In Chapter 13, we will discuss employer-implemented privacy programs and guidelines along with the privacy employees can expect while on the job.

Changing Attitudes toward Work

Employees today are less likely to define their personal success only in terms of financial gains. Many employees, especially younger ones, believe satisfaction in life is more likely to result from balancing their work challenges and rewards with those in their personal lives. Though most people still enjoy work and want to excel at it, they tend to be focused on finding interesting work and are more inclined to pursue multiple careers. In fact, in a survey of more than 3,000 workers, 86 percent said work fulfillment and work-life balance were their top priorities. Only 35 percent said being successful at work and moving up the ladder were their top priorities. People also appear to be seeking ways of living that are less complicated but more meaningful. These new lifestyles cannot help having an impact on the way employees must be motivated and managed. Consequently, HRM has become more complex than it was when employees were concerned primarily with economic survival.

Balancing Work and Family

Even though new Census Bureau figures show couples postponing marriage and parenthood, balancing work and family continues to be a major concern for firms and their employees. Employees are already working more hours than they have at any time since 1973, and increasingly employees are tethered to their companies around the clock via communication technologies. Complicating the task is the fact that today's families are also more diverse. They can consist of two-wage-earner families, single-parent families, families headed by same-sex couples, and families in which multiple generations of adults are living under one roof. Competitive organizations are finding it advantageous to provide employees with more family-friendly options. Those options include telecommuting, flexible work hours, day care, elder care, part-time work, job sharing, parental leave, adoption assistance, spousal involvement in career planning, and assistance with family problems. About 57 percent of Fortune 500 companies, for example, provide same-sex partner health insurance benefits, as do some states for their employees.[56]

Companies with programs such as these calculate that accommodating their employees' individual needs and circumstances is a powerful way to attract and retain

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top-caliber people. Aetna Life and Casualty, for example, cut its turnover by 50 percent after it began offering six-month parental leaves, coupled with an option for part-time work when employees return to the job. Bank of America encourages all its employees to visit their children's schools or volunteer at any school—on company time.[57] Family-friendly companies have to balance the benefits they provide to families versus their single employees, though. The majority of employees have no children under 18. A Conference Board survey of companies with family-friendly programs found that companies acknowledge that childless employees sometimes harbor resentment against employees with children who are able to take advantage of these programs when they cannot.[58]

HRM 3 outlines some of the issues resources managers face as a result of demographic changes and changes in employees' expectations due to societal shifts.

3 HIGHLIGHTS IN HRM
Demographic and Cultural Issues Changing HRM



Changing Demographics: The coming decades will bring a more diverse and aging workforce to developed countries such as the United States. This has major implications for all aspects of HRM because it alters traditional experience and expectations regarding the labor pool. Among the issues in this area are:

- Globalization
- Shrinking pool of skilled entry-level workers
- Rising health care costs for employees
- Outsourcing, offshoring, furloughing, and the use of temporary, contract, and part-time employees
- Strategies designed to leverage people's differences
- Social Security and retirement issues
- Continual skills development and retraining

Employer/Employee Rights: This area reflects the shift toward organizations and individuals attempting to define rights, obligations, and responsibilities. Among the issues here are:

- Relationship employment versus transactional-based employment
- Concern for the privacy of employees
- Employer-employee ethics
- Equal pay for equal work
- Whistle-blowing
- Legal compliance
- Mandated benefits

Attitudes toward Work and Family: Employees are working more hours per week than they have since 1973, which has created demand for family-friendly options in the workplace. The Family Leave Act, which allows workers to take up to 12 unpaid weeks off to deal with family matters, is also affecting people's attitudes toward work and family. Among the issues are:

- Day care and elder care
- Job sharing
- Job rotation
- Parental leave
- Flextime
- Alternative work schedules
- Telecommuting
- Adoption assistance
- Same-sex benefits

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The Partnership of Line Managers and HR Departments

line managers
Non-HR managers who are responsible for overseeing the work of other employees

We have taken a good deal of time up front in this book to outline today's competitive and social challenges to reinforce the idea that managing people is not something that occurs in a back room called the HR department. As we explained at the outset of the chapter, managing people is every manager's business. Successful organizations combine the experience of **line managers** with the expertise of HR managers to develop and utilize the talents of employees to their greatest potential. Line managers are non-HR managers who are responsible for overseeing the work of other employees. CEOs and line managers work with different HR managers at different times, depending upon the type of personnel situation being dealt with.

Just as there are different types of line managers who specialize in different functions—operations, accounting, marketing, and so forth—there are different types of human resources managers who specialize in different HR functions. Some of these workers specialize in employee training and development, recruitment, or compensation. Other HR employees specialize in studying the effects of industry and occupational trends, or concentrate on labor relations and prepare information for managers to use during negotiations with labor unions. By contrast, a human resources generalist can be responsible handle all aspects of human resources work depending on his or her employer's needs.[59] Figure 1.6 shows salary information for some of the HR positions we have discussed.

The Bureau of Labor Statistics forecasts that the number of positions needed in the HR field will grow much faster than average between now and 2018. Nonetheless, we understand that most readers of this book will be line managers and supervisors, rather than HR specialists. The text is, therefore, oriented to *helping people manage people more effectively*, whether they become first-line supervisors or chief executive officers. Students now preparing for careers in organizations will find that the study of HRM provides a background that will be valuable in managerial and supervisory positions. Becoming familiar with the role HR managers play should help facilitate closer cooperation between the different departments of firms and enable line and executive-level managers to fully utilize the assistance and services offered by their HR groups.

FIGURE 1.6 Positions in HR and Their Median Annual Wages

Position	Annual Wage
Training and development managers	$87,700
Benefits managers	$86,500
Human resources managers (all other)	$96,130
Compensation, benefits, and job analysis specialists	$53,860
Employment recruitment, and placement specialists	$45,470
Training and development specialists	$51,450

Source: U.S. Bureau of Labor Statistics.

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Responsibilities of Human Resources Managers

LEARNING OUTCOME 8

Explain the dual role HR managers play in terms of serving both management and staff. Have you ever found yourself in a similar situation at work or school? Were you able to keep both groups happy? How were the challenges you faced similar to those faced by HR managers?

The major activities for which a HR manager is typically responsible are as follows:

1. *Strategic advice and counsel.* The HR manager often serves as an in-house consultant to supervisors, managers, and executives. Given their knowledge of internal employment information and productivity metrics as well as their awareness of external trends such as economic and unemployment data and new legal and regulatory issues, HR managers can be an invaluable resource for making decisions. In some companies, generally larger ones, chief compliance or ethics officers help employees wade through gray areas when it comes to right and wrong and ensure personnel comply with the laws and regulations that affect their industries. The firm's top HR manager is in a good position for this job. HR managers are also being relied on more heavily to advise compensation committees, which are more closely scrutinizing executives' pay than they have in years past.
2. *Service.* HR managers perform a host of service activities such as recruiting, selecting, testing, and planning and conducting training programs. Technical expertise in these areas is essential for HR managers as they design and implement talent-management programs.
3. *Policy formulation and implementation.* HR managers generally propose and draft new policies or policy revisions to cover recurring problems or to prevent anticipated problems. Ordinarily, the policies are proposed to the senior executives of the organization, who actually issue them. HR managers also monitor the firm's managers and employees to ensure they follow established HR policies, procedures, and practices. Perhaps more important, they are a resource to whom managers can turn for policy interpretation.
4. *Employee advocacy.* One of the enduring roles of HR managers is to serve as an employee advocate—listening to employees' concerns and representing their needs to managers—to make certain that the interests of employees and the interests of the organization are aligned with one another.

Competencies Human Resources Managers Require

As top executives expect HR managers to assume a broader role in overall organizational strategy, many of these managers will need to acquire a complementary set of competencies. These competencies are summarized here and shown graphically in Figure 1.7.

- *Business mastery.* As we have explained, HR professionals need to know the businesses of their organizations and their strategies thoroughly. This requires an understanding of an organization's customers and economic and financial capabilities to help a firm achieve its strategic direction and adjust it as needed. Human resource managers who have good problem-solving skills and are also innovative and creative are a strategic asset to their firms.
- *HR mastery.* HR professionals are the organization's behavioral science experts. HR professionals should develop expert knowledge in the areas of staffing, development, appraisals, rewards, team building, performance measurement, and communication. Good interpersonal skills are essential.
- *Personal credibility.* Like other management professionals, HR professionals must establish personal credibility in the eyes of people internal and external to the firm. Credibility and trust are earned by developing good relationships with people both

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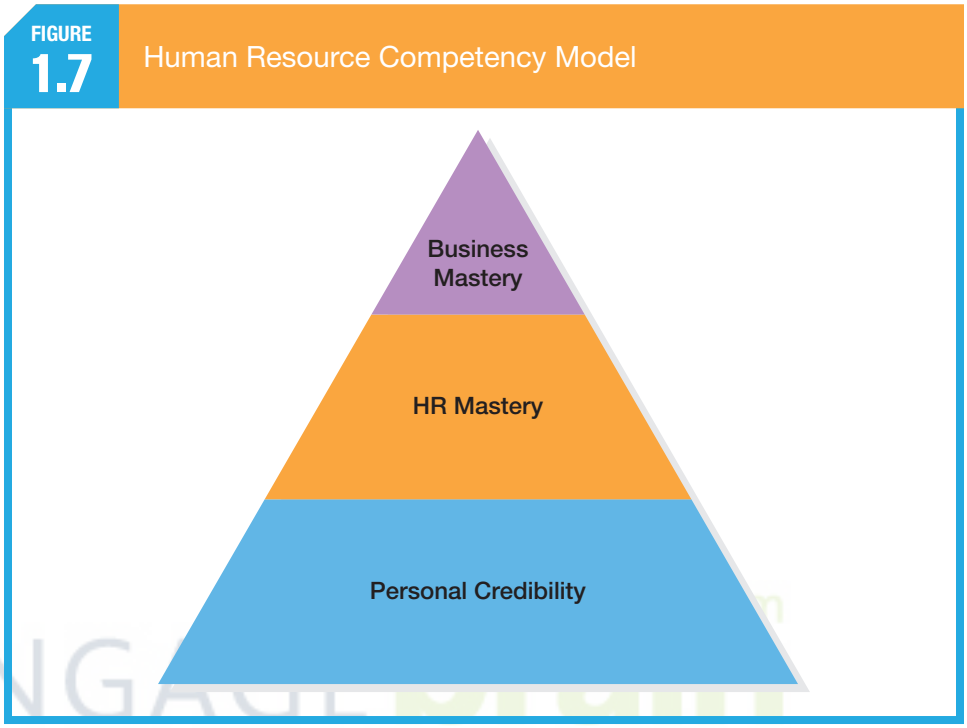
internal and external to the firm, demonstrating the values of the firm, standing up for one's own beliefs, and dealing with all parties equitably. Highlights in HRM 4 outlines the code of ethics HR professionals should follow, according to the Society for Human Resource Management.

FIGURE 1.7 Human Resource Competency Model



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4 HIGHLIGHTS IN **HRM**

SHRM Code of Ethical and Professional Standards in Human Resource Management



Society for Human Resource Management
CODE PROVISIONS

Professional Responsibility

Core Principle

As HR professionals, we are responsible for adding value to the organizations we serve and contributing to the ethical success of those organizations. We accept professional responsibility for our individual decisions and actions. We are also advocates for the profession by engaging in activities that enhance its credibility and value.

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SHRM Code of Ethical and Professional Standards in Human Resource Management (continued)

Intent

- To build respect, credibility, and strategic importance for the HR profession within our organizations, the business community, and the communities in which we work.
- To assist the organizatiotns we serve in achieving their objectives and goals.
- To inform and educate current and future practitioners, the organizations we serve, and the general public about principles and practices that help the profession.
- To positively influence workplace and recruitment practices.
- To encourage professional decision-making and responsibility.
- To encourage social responsibility.

Guidelines

1. Adhere to the highest standards of ethical and professional behavior.
2. Measure the effectiveness of HR in contributing to or achieving organizational goals.
3. Comply with the law.
4. Work consistent with the values of the profession.
5. Strive to achieve the highest levels of service, performance, and social responsibility.
6. Advocate for the appropriate use and appreciation of human beings as employees.
7. Advocate openly and within the established forums for debate in order to influence decision-making and results.

Professional Development

Core Principle

As professionals we must strive to meet the highest standards of competence and commit to strengthen our competencies on a continuous basis.

Intent

- To expand our knowledge of human resource management to further our understanding of how our organizations function.
- To advance our understanding of how organizations work ("the business of the business").

Guidelines

1. Pursue formal academic opportunities.
2. Commit to continuous learning, skills development, and application of new knowledge related to both human resource management and the organizations we serve.
3. Contribute to the body of knowledge, the evolution of the profession, and the growth of individuals through teaching, research, and dissemination of knowledge.
4. Pursue certification such as CCP, CEBS, PHR, SPHR, etc. where available, or comparable measures of competencies and knowledge.

(continued)

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SHRM Code of Ethical and Professional Standards in Human Resource Management (continued)

Ethical Leadership

Core Principle

HR professionals are expected to exhibit individual leadership as a role model for maintaining the highest standards of ethical conduct.

Intent

- To set the standard and be an example for others.
- To earn individual respect and increase our credibility with those we serve.

Guidelines

1. Be ethical; act ethically in every professional interaction.
2. Question pending individual and group actions when necessary to ensure that decisions are ethical and are implemented in an ethical manner.
3. Seek expert guidance if ever in doubt about the ethical propriety of a situation.
4. Through teaching and mentoring, champion the development of others as ethical leaders in the profession and in organizations.

Fairness and Justice

Core Principle

As human resource professionals, we are ethically responsible for promoting and fostering fairness and justice for all employees and their organizations.

Intent

To create and sustain an environment that encourages all individuals and the organization to reach their fullest potential in a positive and productive manner.

Guidelines

1. Respect the uniqueness and intrinsic worth of every individual.
2. Treat people with dignity, respect, and compassion to foster a trusting work environment free of harassment, intimidation, and unlawful discrimination.
3. Ensure that everyone has the opportunity to develop their skills and new competencies.
4. Assure an environment of inclusiveness and a commitment to diversity in the organizations we serve.
5. Develop, administer, and advocate policies and procedures that foster fair, consistent, and equitable treatment for all.
6. Regardless of personal interests, support decisions made by our organizations that are both ethical and legal.
7. Act in a responsible manner and practice sound management in the country(ies) in which the organizations we serve operate.

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SHRM Code of Ethical and Professional Standards in Human Resource Management (continued)

Conflicts of Interest

Core Principle

As HR professionals, we must maintain a high level of trust with our stakeholders. We must protect the interests of our stakeholders as well as our professional integrity and should not engage in activities that create actual, apparent, or potential conflicts of interest.

Intent

To avoid activities that are in conflict or may appear to be in conflict with any of the provisions of this Code of Ethical and Professional Standards in Human Resource Management or with one's responsibilities and duties as a member of the human resource profession and/or as an employee of any organization.

Guidelines

1. Adhere to and advocate the use of published policies on conflicts of interest within your organization.
2. Refrain from using your position for personal, material, or financial gain or the appearance of such.
3. Refrain from giving or seeking preferential treatment in the human resources processes.
4. Prioritize your obligations to identify conflicts of interest or the appearance thereof; when conflicts arise, disclose them to relevant stakeholders.

Use of Information

Core Principle

HR professionals consider and protect the rights of individuals, especially in the acquisition and dissemination of information while ensuring truthful communications and facilitating informed decision-making.

Intent

To build trust among all organization constituents by maximizing the open exchange of information, while eliminating anxieties about inappropriate and/or inaccurate acquisition and sharing of information

Guidelines

1. Acquire and disseminate information through ethical and responsible means.
2. Ensure only appropriate information is used in decisions affecting the employment relationship.
3. Investigate the accuracy and source of information before allowing it to be used in employment related decisions.
4. Maintain current and accurate HR information.
5. Safeguard restricted or confidential information.
6. Take appropriate steps to ensure the accuracy and completeness of all communicated information about HR policies and practices.
7. Take appropriate steps to ensure the accuracy and completeness of all communicated information used in HR-related training.

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Summary

LEARNING OUTCOME 1 HR managers who have a good understanding of their firm's business can help it achieve its strategies—whatever they may be—through the effective utilization of people and their talents. An organization's success increasingly depends on the knowledge, skills, and abilities of its employees. To "compete through people," organizations have to do a good job of managing human capital: the knowledge, skills, and capabilities that have value to organizations. Managers must develop strategies for identifying, recruiting, and hiring the best talent available; developing these employees in ways that are firm-specific; helping them to generate new ideas and generalize them throughout the company; encouraging information sharing; and rewarding collaboration and teamwork among employees.

LEARNING OUTCOME 2 Globalization has become pervasive in the marketplace. It influences the number and kinds of jobs that are available and requires that organizations balance a complicated set of issues related to managing people working under different business conditions in different geographies, cultures, and legal environments. HR strategies and functions have to be adjusted to take into account these differences.

LEARNING OUTCOME 3 The fast pace of globalization along with corporate scandals over the years have led to a new focus on corporate social responsibility (good citizenship) and sustainability (a company's ability to produce a good or service for without damaging the environment or depleting a resource). Companies are finding out that having a good reputation for pursuing these efforts can enhance their revenues and improve the caliber of talent they are able to attract. One of HR's leadership roles is to spearhead the development and implementation of corporate citizenship throughout their organizations, especially the fair treatment of workers.

LEARNING OUTCOME 4 Technology has tended to reduce the number of jobs that require little skill and to increase the number of jobs that require considerable skill, a shift we refer to as moving from touch labor to knowledge work. This displaces some employees and requires that others be retrained. In addition, information technology has influenced HRM through human resources information systems (HRIS) that streamline HR processes, make information more readily available to managers and employees, and enable HR departments to focus on the firm's strategies. The Internet and social media are also affecting how employees are hired, work, and are managed.

LEARNING OUTCOME 5 To contain costs, organizations have been downsizing, outsourcing, offshoring, furloughing, and leasing employees, as well as enhancing productivity. HR's role is to not only implement these programs but consider the pros and cons of programs such as these and how they might affect a company's ability to compete, especially if they lead to the loss of talented staff members.

LEARNING OUTCOME 6 The workforce is becoming increasingly diverse, and organizations are doing more to address employee concerns and to maximize the benefit of different kinds of employees. But to benefit from those differences managers need to look past the obvious differences between employees and see not so obvious differences such as how they think, learn, work, solve problems, manage their time, and deal with other people. By first seeing the differences, exploring them, and then discovering how they can provide value to the organization, HR managers can leverage those differences.

LEARNING OUTCOME 7 HR managers have to keep abreast of the educational abilities of the talent available to their organization. Despite the fact the educational attainment of the labor force has risen in general, many firms are finding it difficult to find workers with the basic skills they need. As the baby boomers retire, HR departments may have to offer higher compensation packages to attract qualified candidates, and recruiting and selection systems will have to function much more competitively. Employee rights, privacy concerns, attitudes toward work, and

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efforts to balance work and family are becoming more important to workers as the cultural dynamics in the labor force shift. Companies are finding that accommodating employees' individual needs as a result of these shifts is a powerful way to attract and retain top-caliber people.

LEARNING OUTCOME 8 In working with line managers to address their organization's challenges, HR managers play a number of important roles; they are called on for strategic advice and ethics counsel, various service activities, policy formulation and implementation, and employee advocacy. To perform these roles effectively, HR managers must have a deep understanding of their firm's operational, financial and personnel capabilities. HR managers who do and are creative and innovative can help shape a firm's strategies so as to respond successfully to changes in the marketplace. Ultimately, managing people is rarely the exclusive responsibility of the HR function. Every manager's job involves managing people. Consequently, successful companies combine the expertise of HR specialists with the experience of line managers and executives to develop and use the talents of employees to their greatest potential.

Key Terms

change management
collaborative software
corporate social responsibility
downsizing
employee leasing
globalization
human capital
human resources information system (HRIS)
human resources management (HRM)
knowledge workers
line managers
managing diversity
offshoring
outsourcing
furloughing
proactive change
reactive change
reengineering
Six Sigma
total quality management (TQM)

CENGAGE brain

Discussion Questions

LEARNING OUTCOME 1 Are people always an organization's most valuable asset? Why or why not?

LEARNING OUTCOME 2 Suppose your boss asked you to summarize the major people-related concerns related to opening an office in China. What issues would be on your list?

LEARNING OUTCOME 3 Name a company you hope to work for someday. What is its track record in terms of corporate social responsibility and sustainability? Are these factors important to you? Why or why not?

LEARNING OUTCOME 4 Will technology eliminate the need for human resources managers?

LEARNING OUTCOME 5 Do cost-containment pressures work against the effective management of people? Why or why not?

LEARNING OUTCOME 6 What are the pros and cons of having a more diverse workforce? Is the United States in a better position to compete globally because of its diverse population?

LEARNING OUTCOME 7 Why do HR managers need to stay abreast of the educational levels and work expectations of people in the workforce?

LEARNING OUTCOME 8 In your opinion, what is the most important role HR managers play?

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On the Job: Video Cases

Fruit Guys: Responding Strategically to the Marketplace

Executives at the firm discuss the strategic challenges when it comes to operating a profitable business. Specific challenges including entering new markets are discussed, as well as some setbacks and some successes. The importance of hiring the right talent is also discussed, as is the importance of trying to balance profitability with the nimbleness to take advantage of new opportunities.

What to Watch for and Ask Yourself

- The Fruit Guys' CEO describes one poorly planned attempt to expand into Chicago. How did the organization change its strategy to successfully expand into other geographic markets?
- What are some possible legal/political influences the Fruit Guys face? (b) What are some possible demographic changes the Fruit Guys face?
- How do you think the company's HR strategy affects its success when it comes to expanding the firm's operations and growing its profits.

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