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Managing
Human Resources

Snell · Morris · Bohlander

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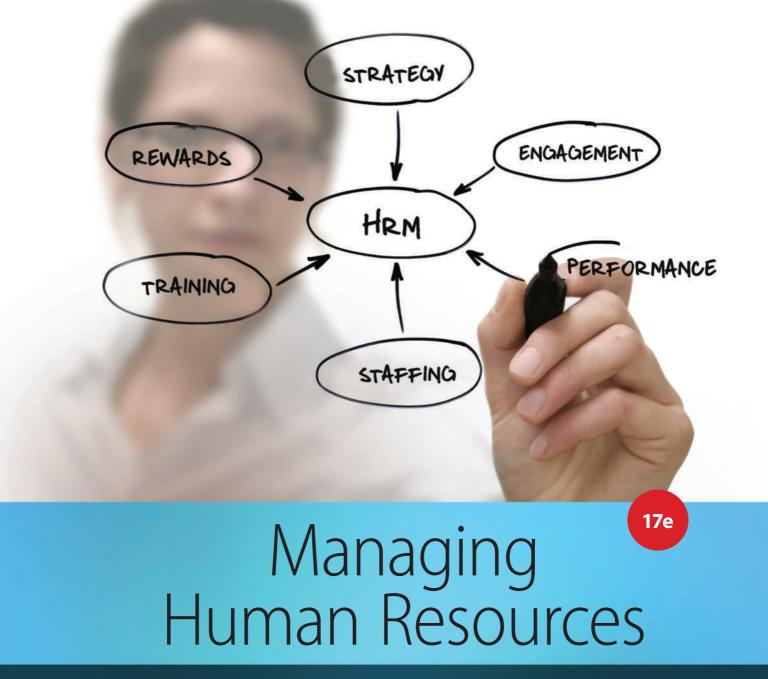# Managing Human Resources

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Preface

The 17th edition of *Managing Human Resources* will place your students at the forefront of understanding how organizations can gain a sustainable competitive advantage through people. The role of HR managers is no longer limited to service functions such as recruiting, payroll, and benefits. Today, HR managers assume an active role in the strategic planning and decision making within their organizations. Those managers who are good at it have a major impact on the success of their firms and have elevated the practice of human resources in terms of its importance in the C-suites of their organizations. And human resource management is not limited to the HR staff. The best organizations recognize that managing people is the job of every manager, working in partnership with HR.

Each edition of the book highlights the ways in which the environment for managing human resources is changing somewhat but reveals that the goal of utilizing an organization's talent in the best way possible never changes. Consequently, the purpose of this book is always twofold: (1) To equip students with the tools and practices of human resources management and an appreciation for the changes they can effect by understanding how best to manage people and (2) to present the most current challenges and opportunities graduating students will face when it comes to today's human resource management environment. These challenges exist both for those who will become HR managers and those who will go on to become other types of managers.

Toward that end, the first chapter of the book lays out in broad terms the key challenges in HRM today. It includes a discussion of the HR strategies pursued by firms and the importance of retaining and motivating employees in the process. Other aspects broached include health care reform laws and some of the strategies companies are using to continue attempting to control health care costs; how social media is affecting hiring, human resources management, and employees' privacy rights; and how good human resources practices can help a firm achieve its corporate social responsibility and sustainability goals and make it an employer of choice. The chapter also discusses the important partnership with line managers and the competencies required of HR management. The textbook continues with the introduction, explanation, and discussion of the individual practices and policies that make up HRM. We recognize the manager's changing role and emphasize current issues and real-world problems and the policies and practices of HRM used to meet them.

Strategy and talent have become such central concerns of HR today that we continue to emphasize the topic in this edition of the book in Chapter 2. Chapter 5 focuses on expanding and managing the talent pool in organizations. Employee diversity and how firms can leverage all types of differences among their workers to their strategic advantage are examined.

Organizations in today's competitive world are discovering that it is *how* the individual HR topics are combined that makes all the difference. Managers typically don't focus on HR issues such as staffing, training, and compensation in isolation from one

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another. Each of these HR practices should be combined into an overall system—one that furthers a firm's strategy by enhancing employee involvement and productivity. *Managing Human Resources* ends with a final chapter that focuses on how high-performance work systems (HPWSs) are used to implement these strategies. We outline the strategic processes used to implement HPWSs, including workflow design, HR practices, management processes, and supporting technologies as well as the outcomes of an HPWS that benefit both the employee and the organization as a whole.

Changes in the 17th Edition

Perhaps the biggest change made to the new edition is that we have brought on a new coauthor, Dr. Shad Morris, with the Marriott School of Management at Brigham Young University. Shad's fresh thinking and new perspectives have provided us with an invaluable amount of ideas for the content of the book, how it is taught, and how students today learn. We believe he is a great addition to our team, and you will feel the same way after browsing the 17th edition.

As with other editions, a great deal of new information is provided in this revision to accurately reflect HRM in today's business world and help the reader understand today's HRM issues more effectively. How social media such as LinkedIn, YouTube, Twitter, crowdsourcing, and mobile technology are profoundly affecting how HR managers and companies do business has been expanded in the 17th edition. The ever-changing landscape of global and international HR concerns, including the issues surrounding multinationals, joint ventures, and the World Trade Organization; low-wage, high-growth countries such as Brazil, China, and India; the talent shortage and work-visa challenges facing U.S. firms since 9/11; immigration reform and global rights issues such as data protection, intellectual property rights, and the International Labor Organization's decent work agenda and efforts to promote fairness among countries as they globalize have resulted in numerous updates. Of course, the 17th edition also includes a complete update of all laws, administrative rulings and guidelines, and court decisions governing HRM. These include, for example, new rules regarding when interns must be paid and to what degree applicants' criminal records can be used in the screening and hiring process.

Lastly, in addition to the changes we have already mentioned, to help instructors incorporate the new material discussed into their courses, the following is a list of major chapter-by-chapter additions:

Chapter 1

- New discussion of the types of firms that survive in today's marketplace.
- Updated discussion on international trade and competition.
- Updated information on social media policies in the workplace, including bring your own device (BYOD) polices, and employee privacy, such as tracking employees via their mobile devices.
- Updated information on immigration and its legislation.
- Updated information on workforce demographic trends and the progress of minorities in the workplace.

Chapter 2

- Updated information on U.S. labor supply statistics.
- New section on how to craft a firm's mission, vision, and values.
- Expanded discussion on capability analysis.
- New section on how to conduct a cultural audit at a firm.
- New case study on Domino's pay system and strategy.

Chapter 3

- New discussion of the Employment Non-Discrimination Act recently proposed by the U.S. Congress, which extends federal employment discrimination protection, currently provided on race, religion, gender, national origin, age, and disability to sexual orientation and gender identity.

Chapter 4

- Expanded discussion on teams and teamwork.
- New discussion on when teams are and are not needed in an organization.
- New case study on why Yahoo discontinued its telecommuting option for its employees.

Chapter 5

- New section on determining the timing of HR recruitment and hiring.
- Updated discussion on how firms are using social media to recruit and hire employees.
- Updated discussion on mobile recruiting.
- New information about the Department of Labor's rules on when interns need to be paid.
- New research and discussion on why managers may be inclined to hire external candidates versus internal candidates and the problems and costs this can impose.
- New discussion of how YouTube is being used to recruit candidates and provide them with realistic job previews.
- New discussion on reverse mentoring.
- New section on recruiting and hiring veterans.
- New case study on Mary Barra, the new CEO of General Motors.

Chapter 6

- Updated information on the use of Internet sources to screen candidates and conduct "lifestyle discrimination."
- New information on the EEOC's new rules employers should follow before screening out candidates with criminal records and on state rules preventing discrimination against the long-term unemployed.
- How the legalization of marijuana in some states is affecting firms' drug testing.
- New case study on the pros and cons of using electronic résumé screening to screen out applicants and how it can lead to good candidates never being considered.

Chapter 7

- New coverage on how MOOCs are entering the corporate training sphere.
- A new discussion of how firms are using YouTube to onboard employees.
- Discussion of new research illustrating the limits of diversity training.
- New case study on Whirlpool's closed-loop training system.

Chapter 8

- New coverage on informal feedback sessions and their advantages over formal performance evaluations.
- New discussion of crowdsourcing as a supplement or alternative to formal performance evaluations.
- New case study on how Google used its own data and algorithms to determine who were poor-performing bosses at the company and ways to improve their performance.

Chapter 9

- New discussion on how American companies, including manufacturers, are seeing the strategic value of returning jobs to the United States and increasing the compensation for them.

Chapter 10

- Expanded discussion of why high-potential employees leave their firms.
- New discussion of the drawbacks of pay-for-performance systems when it comes to task-based jobs and how firms can restructure their pay packages around an employee's total performance.
- Expanded discussion on the pros and cons of high pay scales for CEOs.

Chapter 11

- Updated information on the Patient Protection and Affordable Care Act (PPACA).
- New discussion of workers' increasing awareness of the benefits companies offer and how this is impacting companies.
- Expanded discussion on how companies can best select the benefits for employees, their involvement in the process, and updated information on sources of competing salary information.
- Updated information on new cost-containment strategies in terms of the medical and other benefits employees receive, such as by limiting the number of health plans employees can choose from and conducting audits to be sure noneligible dependents of employees are not being covered.

Chapter 12

- Updated information on U.S. employee injury and safety statistics today.
- Expanded discussion on the hazards of overemphasizing safety within organizations to the point where injuries go unreported.
- Updated information on distracted driving.
- New discussion on the top sources of employee stress.

Chapter 13

- New Q&A feature on what employers can or cannot do legally.
- New discussion on how some employers are adapting their views when it comes to body art, grooming, and attire.

Chapter 14

- Streamlined coverage.
- Types of unions moved forward in chapter.
- New section on public unions and how collective bargaining differs in the public sector from the private sector and from state to state.

Chapter 15

- New section on analyzing the international HR environment using the PEST model.
- New section on technology's impact on internationalization, including its effect on how and where workers are finding jobs.

Chapter 16

- Focuses more closely on how high-performance work systems are implemented to further a firm's strategy.
- New coverage of why trusting employees is an important element of implementing a high-performance work system.
- New case study on how the snack-food maker Snyder's-Lance implemented a high-performance work system at its Charlotte, North Carolina, plant.

Features of the Book

Designed to facilitate understanding and retention of the material presented, each chapter contains the following pedagogical features:

- **Learning Outcomes** listed at the beginning of each chapter provide the basis for the Integrated Learning System. Each outcome is also listed in the margin of the chapter in which it appears, along with a thought-provoking question designed to get students thinking about how the related content applies to them personally. The outcomes are revisited in the chapter summary and discussion questions and in all of the book's ancillaries.

- **Small Business Application Boxes.** The boxes are designed to help entrepreneurs, small business owners, and managers think about how to organize, implement, and leverage talent and to draw attention to resources designed especially for them to do so. We feel the coverage is very important because many students today are very interested in entrepreneurship and will go on to found their own businesses. Moreover, small businesses provide most of America's jobs to workers.

- **Highlights in HRM.** This popular boxed feature provides real-world examples of how organizations perform HR functions. The Highlights are introduced in the text discussion and include topics such as small businesses and international issues.

- **Key Terms** appear in boldface and are defined in margin notes next to the text discussion. The Key Terms are also listed at the end of the chapter and appear in the glossary at the end of the text.

- **Figures.** An abundance of graphic materials and flowcharts provides a visual, dynamic presentation of concepts and HR activities. All figures are systematically referenced in the text discussion.

- **Summary.** A paragraph or two for each Learning Outcome provides a brief and focused review of the chapter.

- **Discussion Questions** following the chapter summary offer an opportunity to focus on each of the Learning Outcomes in the chapter and stimulate critical thinking. Many of these questions allow for group analysis and class discussion.

- **HRM Experience.** An experiential activity designed to simulate HR activities is included in each chapter.

- **End-of-Chapter Cases.** Two case studies per chapter present current HRM issues in real-life settings that allow for student consideration and critical analysis.

- **Extended Cases.** Eleven extended cases are provided at the end of the main text. These cases use material covered in more than one text chapter and provide capstone opportunities.

MindTap

Managing Human Resources, 17th edition, includes a brand new MindTap learning experience, powered by a rich array of online resources designed to deliver an all-in-one solution for learning and retaining the course topics. The following items are included in the MindTap learning path:

- An **engagement activity** designed to stimulate student interest.
- A **pretest** to measure initial understanding.
- A **media-rich e-version** of the text enhanced with interactive versions of several figures in the text, carefully designed to quiz readers on important concepts. Additionally, each part of the text includes one engaging Concept Clip animation designed to build on concepts mentioned in the narrative.
- A brand new **video case** series covering relevant HR concepts using a real-world company such as Intermountain Healthcare, Black Diamond, and Stew Leonard's, among many others. The videos include interactive follow-up assessments.
- A comprehensive **Aplia problem set** designed to guide students from basic comprehension to real-world application of concepts.
- A **case activity** designed to guide students through the process of case analysis.
- **Biz-LX** exercises designed to enable students to think like HR managers.
- A **Write Experience** activity to test open-ended writing skills (select chapters).
- A **posttest** to measure overall comprehension of chapter concepts.

Instructor Materials

The following instructor support materials are available to adopters online at www.cengagebrain.com.

- *Instructor's Resource Guide*. The *Instructor's Resource Guide* contains a chapter synopsis and learning objectives; a very detailed lecture outline; answers to the end-of-chapter discussion questions and case studies; solutions to the extended cases in the textbook; and new "Flip Tips" activities to provide ideas for the flipped classroom.

- ***Teaching Assistance Manual.*** The *Teaching Assistance Manual* provides additional teaching aids such as *Generating Interest* discussion topics, *Dealing with Trouble Spots* features that provide resources to address challenges, and *Involving Students* sections that suggest activities and resources.
- ***Test Bank.*** Cengage Learning Testing powered by Cognero is a flexible, online system that allows you to:
  - author, edit, and manage test bank content from multiple Cengage Learning solutions.
  - create multiple test versions in an instant
  - deliver tests from your LMS, your classroom, or wherever you want

Each test bank chapter provides more than 100 questions, all tagged by learning objective, AACSB standards, and Bloom's taxonomy. There are true/false, multiple-choice, and essay items for each chapter.

- ***PowerPoint™ Presentation Slides.*** These presentation slides will add color and interest to lectures.
- ***Aplia.*** Engage, prepare, and educate your students with this ideal online learning solution. Aplia's™ management solution ensures that students stay on top of their coursework with regularly scheduled homework assignments and automatic grading with detailed, immediate feedback on every question. Interactive teaching tools and content further increase engagement and understanding. Aplia assignments match the language, style, and structure of *Managing Human Resources*, 17th edition, allowing your students to apply what they learn in the text directly to their homework.

Acknowledgments

Because preparation of manuscript for a project as large as *Managing Human Resources* is a continuing process, we would like to acknowledge the work of those colleagues who provided thoughtful feedback for this and the previous editions of the text. We were fortunate to have the results of an extensive survey whose participants offered suggestions based on their actual use of this and other texts in their courses, as well as the careful evaluations of our colleagues. Our appreciation and thanks go to:

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Scott Snell is professor of business administration and senior associate dean for executive education at the University of Virginia's Darden Graduate School of Business. Scott teaches courses in leadership and strategic management and works with management teams on aligning their human resource investments to better execute their strategies. Scott is the author of four books and was recently listed among the top 100 most-cited authors in scholarly journals of management. He has served on the boards of the Strategic Management Society's Human Capital Group, the Society for Human Resource Management Foundation, the Academy of Management's Human Resource Division, the *Academy of Management Journal*, and the *Academy of Management Review*.

Prior to joining the Darden faculty in 2007, Scott was professor and director of executive education at Cornell University's Center for Advanced Human Resource Studies and a professor of management in the Smeal College of Business at Pennsylvania State University. He received a BA from Miami University, as well as an MBA and PhD in business from Michigan State University. Originally from Ohio, Scott now lives in Charlottesville, Virginia.

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Shad Morris is assistant professor of organizational leadership and strategy at the Marriott School of Management at Brigham Young University. He teaches courses in the areas of human resources management and international business. Prior to joining the Marriott School in 2013, Shad was an assistant professor of management and human resources at Ohio State University and has held appointments at the Sloan School of Management at MIT, Copenhagen Business School in Denmark, and SKK Graduate School of Business in South Korea.

Shad's research focuses on strategic human resource management in a global environment. His research has been published in a number of journals, such as the *Harvard Business Review*, *MIT Sloan Management Review*, *Academy of Management Review*, *Journal of International Business Studies*, *Journal of Management*, and *Human Resource Management*. He has worked for the World Bank, Management Systems International, and Alcoa. He has consulted with numerous companies on their HR and knowledge practices. He is the recipient of the International HRM Scholarly Research Award from the Academy of Management and is currently a faculty fellow at Cambridge University's Centre for International Human Resource Management. In addition, Shad currently serves on the board of the *International Journal of Human Resources Management* and is a founding editor of the *Journal of Microfinance.* He received a BS in psychology and a masters in organizational behavior from Brigham Young University, as well as a PhD in human resources management from Cornell University.

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George Bohlander is professor emeritus of management at Arizona State University (ASU). He received his MBA from the University of Southern California and his PhD from the University of California at Los Angeles. His areas of expertise include employment law, compensation work teams, public policy, and labor relations. He has received the Outstanding Undergraduate Teaching Excellence Award presented by the College of Business at ASU and also received the prestigious ASU Parents Association Professorship for his contributions to students and teaching.

George is an active researcher and author. He has published over 50 articles and monographs in professional and practitioner journals such as *National Productivity Review, HR Magazine, Labor Law Journal, The Journal of Collective Bargaining in the Public Sector,* and others. He continues to be a consultant to public and private organizations, including the U.S. Postal Service, BFGoodrich, Banner Health Services, and Del Webb. He is also an active labor arbitrator.

Managing Human Resources

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The Rewards and Challenges of Human Resources Management

Learning Outcome

After studying this chapter, you should be able to

LO 1 Explain how human resources managers and other managers can have rewarding careers by helping their firms gain a sustainable competitive advantage through the strategic utilization of people.

LO 2 Explain how good human resources practices can help a firm's globalization, corporate social responsibility, and sustainability efforts.

LO 3 Describe how technology can improve how people perform and how they are managed.

LO 4 Explain the dual goals HR managers have in terms of increasing productivity and controlling costs.

LO 5 Discuss how firms can leverage employee differences to their strategic advantage and how educational and cultural changes in the workforce are affecting how human resources manager engage employees.

LO 6 Provide examples of the roles and competencies of today's HR managers and their relationship with other managers.

3

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's 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; 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

1.1 Why Should You Study Human Resources Management? Will It Pay Off?

Which of these activities would you like to engage in your career:

- Establishing the strategic direction your firm should take.
- Attracting top-notch people to come to work for you and your firm.
- Determining the right people to hire so your team and company are a success.
- Helping and coaching people so they become top-notch performers.

If you answered yes to these questions, a job managing people might be a rewarding career for you and an excellent reason why you should study human resources management. 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 management. Managers play a key role in selecting employees, training and motivating them, appraising them, promoting them, and so forth. It's a job that can be incredibly rewarding—like watching your child take his or her first steps. Michele Rhoades, a senior product manager with Cengage Learning, the publisher of this textbook, has likened the people she has hired and trained to her "babies": "It is gratifying to see the legacy created by the people I have had a role in hiring and developing," says Rhoades. "I have taken a great deal of pride in watching their careers flourish and the positive impact they make in our business."

Rhoades is a manager who has done a great job hiring and grooming employees and helping them become successful. But 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 the 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

NetPhotos/Alamy

If an employer requested your Facebook login credentials, what would you do?

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]

Lastly, even if you never become a manager, understanding human resources can help you understand your responsibilities and rights as an employee. For example, what if your employer asks for your passwords to Facebook or other social media sites? Do you need to provide the manager with that information? This textbook can help you answer questions such as these.

1.1a Human Capital and HRM

The idea that organizations "compete through people" highlights the fact that achieving success increasingly depends on an organization's ability to manage its *human capital*. The term **human capital** describes the employees' knowledge, skills, abilities, and other attributes (KSAOs) that have economic value to the firm. Although the value of these assets might not show up directly on a company's balance sheet, it nevertheless has tremendous impact on an organization's performance. The following quotations from notable CEOs and former CEOs illustrate this point:[2]

human capital

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

- "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)

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.[3] Companies that *do* "win" because of the talent they hire and manage include:

- Whole Foods, which empowers its employees to make local decisions—decisions that are good for an individual store, its customers, area growers, community, and the firm as a whole.
- Nordstrom's, which empowers its employees to go through near-heroics to satisfy customers.
- Google, which gives its employees the opportunity to conceive and develop new innovations, such as Gmail.
- The Martin Agency, a Richmond, Virginia-based advertising agency whose talented and creative personnel generate award-winning advertising campaigns like those for insurer Geico and cable-TV network Nickelodeon.

However, unlike physical capital and resources, human capital is intangible and cannot be managed the way organizations manage jobs, products, and technologies. One reason why this is so 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.[4] 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 noted expert in human resources, 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."[5]

Human resources managers 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 management at Towers Watson, a leading human resources consulting firm, explains that firms goal should treat *everyone* as talent and not just focus on a few. "We talk about the sum of people's experiences as well as their skills," says Dhesi.

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.

Figure 1.1 Overall Framework for Human Resources Management

COMPETITIVE CHALLENGES

- Changes in the marketplace and economy
- Globalization
- Technology
- Cost containment
- Leveraging employee differences

HUMAN RESOURCES

- Planning
- Recruitment
- Staffing
- Job design
- Training/development
- Appraisal
- Communications
- Compensation
- Benefits
- Labor relations

EMPLOYEE CONCERNS

- Job security
- Healthcare issues
- Age and Generational work issues
- Retirement issues
- Gender issues
- Educational levels
- Employee rights
- Privacy issues
- Work attitudes
- Family concerns

What do you think are the biggest human-resource related challenges you would have to face as a manager? 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. The top trends, or challenges, firms name today include those outlined in the sections that follow.

1.2 Strategic and Global Challenges

Given the pace of commerce, organizations can rarely stand still for long. Being able to adapt has become the key to capturing opportunities and overcoming obstacles both domestically and abroad. In fact, it is often the key to the very survival of organizations. Many of the biggest 500 companies in the world 50 years ago (GE and GM included) are still in business. However, many others, such as Esmark Steel, are not. In fact, you may never have even heard of Esmark Steel. As a corollary, think about the species that have survived the longest on our planet. It's not necessarily the biggest and the strongest species, such as the dinosaurs, that have survived but those best able to adapt. This is true for not only species but individual employees and companies as well.

1.2a Responding Strategically to Changes in the Marketplace

Successful companies, says Harvard Business School professor Rosabeth Moss Kanter, develop a culture that just keeps moving all the time.[6] It's been said that "No change means no chance." Consider what happened to the parts suppliers for U.S. automakers when the bankruptcy of General Motors, Chrysler, and Ford looked imminent during the

LO 2

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

last recession. 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.

Human Resources Managers and Business Strategies

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?"[7]

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. Sometimes that means making adjustments to the labor force via downsizing, outsourcing, and offshoring. **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. **Offshoring,** also referred to as "global sourcing," involves shifting work to locations abroad.

During economic downturns, companies often resort to these practices, along with cost-cutting strategies, such as trimming workers' benefits. But other companies take a different strategy: They beef up their benefit programs to attract top talent from other companies and expand in order to be ready when the economy begins growing again. Efforts to improve quality, expand a firm's market share and product lines, or move into different product lines are yet other strategies.

A common denominator of all these strategies is that they require companies to engage in bringing about and managing both organizational changes and changes on the individual level. According to a survey by the leadership 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 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. An organization that successfully engineers a change does the following:

- Links the change to the business strategy.
- Shows how the change creates quantifiable benefits.
- Engages key employees, customers, and suppliers early when making a change.
- Makes an investment in implementing and sustaining the change.[8]

Downsizing

Planned elimination of jobs

outsourcing

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

Offshoring

The business practice of sending jobs to other countries

Some of the strategic changes companies pursue are reactive changes that result when external forces, such as the competition, a recession, a law change, or a crisis (such as the backlash Carnival Corp. experienced in 2012 after one of it cruise liners broke down at sea and another partially sank) have already affected an organization's performance. Other strategic changes are proactive changes, initiated by managers to take advantage of targeted opportunities, particularly in fast-changing industries in which followers are not successful.

Good 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, including those of Southwest Airlines, Starbucks, and GE, make certain their top HR executives report directly to them and help them address key issues.

A rapidly growing number of companies, including Ford, Intel, United Technologies, and the gamemaker Electronic Arts, are assigning HR representatives to their core business teams to make certain they are knowledgeable about core business issues. In addition, 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, these 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.

Some changes are reactive, such as those experienced by Carnival Corp. when its Costa Concordia ship partially sank.

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