

# Managing Human Resources

Snell • Morris

19th Edition



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# Preface

The 19th edition of *Managing Human Resources* will place your students at the forefront of understanding how organizations can gain a sustainable competitive advantage through people. Today's HR managers play an active role in the strategic planning and decision making within their organizations. Great managers elevate the importance of their organization's human resources to C-suite levels and have a major impact on the success of their firms. But 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.

As human resource management continually changes, each edition of the book is updated to highlight these changes. Even so, this book 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 HR management and give them an appreciation for the changes they can make 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 the strategies companies are using to continue to try 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 understand the role of managers is continually adjusting; therefore, we emphasize current issues and real-world problems to discuss changes to policies and practices of HRM.

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, equity and inclusion, 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 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 work-flow 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.

## Streamlined Coverage

Today’s students are extremely busy. They want to know what they need to learn and how to learn it as quickly as possible. Instructors want to be able to cover all of the material they want to teach during a semester. To help both groups, we made a special effort to streamline our coverage in this edition.

## New Cutting-Edge Content

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. Examples include the concerns of Millennial and Generation Z employees, and how Big Data, HR analytics, remote work, and social media are profoundly affecting the field, and the effects artificial intelligence and automation are having. Ever-changing international HR concerns are covered, including the work-visa challenges facing U.S. firms, immigration, human rights issues, global rights issues such as data protection, and intellectual property rights. The Coronavirus pandemic had staggering consequences and resulted in numerous updates in the workplace and, therefore, this edition. Of course, the 19th edition also includes a complete update of all laws, administrative rulings and guidelines, and court decisions governing HRM. We have previously shown that Millennials are seeking collective action through unions. We now also discuss how Generation Z believes in labor movements to motivate change, without the help of unions.

Lastly, to help instructors incorporate the new material discussed into their courses, the following is a list of chapter-by-chapter additions:

### Chapter 1

- Updated discussion on international trade, Brexit, and the H-1B visa debate.
- The loss of middle-class jobs in the United States and new technology affecting HR, such as robotics and automation.
- New coverage on the employee experience.
- New coverage on Generation Z.
- Updated information on workforce demographic trends and the progress of under-represented groups in the workplace.

### Chapter 2

- New real-life examples throughout the text.

### Chapter 3

- New legal interpretations on what reasonable accommodation means for employees with disabilities.
- Updated information on how Title VII is being interpreted to prohibit discrimination based on gender identity or sexual orientation.
- A look at discrimination due to race-based natural hair and hairstyles.
- The lifting of the ban on transgender individuals from serving in the military.
- A discussion of how the #MeToo movement changed the perception and dealings of sexual harassment.
- New research about companies' efforts to make diversity, equity, and inclusion a priority amidst the Black Lives Matter movement.
- Steps to increase diversity in your workplace.

### Chapter 4

- New discussion of the change continually happening for workflow.
- New discussion of the need for flexible work arrangements.
- Term change from “telecommuting” to “working remote.”
- New section considering the recent spike in remote work.

### Chapter 5

- Expanded discussion about the benefits and challenges of having open-ended application collection.
- New facts related to online recruiting and social media examination.
- Language adjustments to focus on inclusivity.
- New information about veteran job seekers and the VETS agency which helps place veterans in jobs.

### Chapter 6

- New information regarding remote and virtual interviews, particularly in response to the COVID-19 pandemic.
- New tips for conducting effective interviews.

### Chapter 7

- Another learning objective added to highlight the evaluation of training programs.
- New paragraph about the training benefits of special assignments.
- Simplified section to focus on only the most important content.

### Chapter 8

- Additional tips for minimizing criticism when conducting performance evaluations.
- Clarifications about information systems and databases.
- Edits to improve information flow including one-word descriptions of performance review guidelines.

## Chapter 9

- New coverage of systems and websites, such as Glassdoor and Buffer, to collect salary and other related data used especially in job evaluation.
- A list of the highest paying jobs for 2019 in the United States.
- An updated discussion of the minimum age required for employment.
- Updated salary rates for the fastest growing jobs in the United States.

## Chapter 10

- New research shows that unless done correctly and carefully, pay for performance can hurt the company.
- Spot bonuses were found to be a great way to encourage employees during the COVID pandemic.
- Recognition at work is extremely important to employees and frequent public recognitions are the preferred method by employees.
- Are CEOs still being paid too much even in the face of a global pandemic?

## Chapter 11

- Updated information on the current status of the Patient Protection and Affordable Care Act (PPACA).
- An analysis of the increase in Employee Assistance Programs focused on mental health due to the Coronavirus pandemic.
- Expanded discussion on how the Mental Health Parity and Addiction Equity Act of 2008 requires mental health care benefits yet still does not help.
- New discussions about domestic partnership and fertility benefits.

## Chapter 12

- Updated research on preventing employee burnout.
- Updated information on U.S. employee injury and safety statistics today.
- New research on the proven success of computer game safety trainings.
- Updated information on enforcing safety rules and the importance of crisis management teams.
- Updated information on the prevalence of workplace violence.

## Chapter 13

- New information on employee privacy rights at their place of employment and at home due to remote work.
- New examples related to monitoring off-duty conduct.
- Updated information on how employees are protected for blowing the whistle.
- New discussions and statistics of social media and how it is used and abused by employees.



## Chapter 14

- Discussion of how the last presidential election impacted unions and their traditional allegiance to the Democratic Party.
- New research showing the decrease in union membership but certainly not a decrease in labor movements.
- New examples of how unionizing successfully raised employees' starting salary.
- Adjustment of learning outcomes organization.

## Chapter 15

- New example of two countries working towards economic development.
- Simplified and clearer Learning Objectives.

## Chapter 16

- A look at how companies created remote work data access in response to the COVID-19 pandemic.
- Edited and updated case study on Whole Foods' HPWS and the challenges the company faces sustaining it and regaining a competitive advantage.

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

## Mindtap's Innovative Digital Features

Today's leading digital platform, MindTap, gives you complete control of your course—equipping you to craft unique learning experiences that challenge students, build confidence and elevate performance.

Use MindTap as-is or customize it to meet your specific needs. You can even integrate it easily into your institution's Learning Management System (LMS). A MindTap presents complex concepts using a blend of engaging narrative and media assets clearly linked to assessments. So, students can start applying concepts to real-world situations from the beginning of your course with content that progresses from understanding core concepts to critical thinking and, ultimately, application.

## Product Features

MindTap's outcome-based learning design propels students from memorization to mastery. It's the only platform today that gives you complete ownership of your course. With MindTap you can challenge every student, build confidence, and empower today's learners to be unstoppable.

### Anchor Learning With Improved Learning Path Design.

MindTap helps students focus by dividing the Learning Path into groups of bite-size activities that are anchored to a single concept.

### Access Everything You Need In One Place.

Cut down on prep with preloaded, organized course materials in MindTap. Teach more efficiently with interactive multimedia, assignments, quizzes and focused resources all on one screen.

### Control Your Course, Your Content.

Only MindTap gives you complete control of your course. You have the flexibility to reorder textbook chapters, add your own notes and embed a variety of content, including OER. Personalize course content to your students' needs by editing question text or answer choices. They can even read your notes, add their own and highlight key text to aid their progress.

### **Count On Our Dedicated Team, Whenever You Need Them.**

MindTap is not simply a comprehensive tool—it’s a network of support from a personalized team eager to further your success. We’re ready to help—from setting up your course to tailoring MindTap resources to meet your specific objectives. You’ll be ready to make an impact from day one. And, we’ll be right here to help you and your students throughout the semester—and beyond.

### **Mindtap Table of Contents**

MindTap brings together quality learning and convenience through seamless, LMS integrated access to a curated set learning tools designed intentionally for the Principles of Management learner. Each MindTap follows a “Learn It, Apply It, Study It” structure that guides students through bite sized learning exercises, followed by authentic scenario-based application opportunities and then gives them the necessary tools to prepare for quizzes and exams.

### **Chapter-Level Ebook**

Dynamic eBook brings the value, concepts and applications of the printed text to life. Students open an active learning experience as each chapter provides opportunities to interact with content using the approach that’s best for the individual learner.

### **Learn It Activities**

New “Learn It” modules aligned to each learning objective and are designed to help students learn the basics of theories and concepts presented in a chapter through digestible summaries and randomized questions that help check their comprehension of the chapter material.

### **Apply It**

“Apply It” Chapter Assignments and Case Activities bridge the understanding of concepts with their real-world applications in the practice of management.

### **Study It**

The “Study It” module for each chapter includes Practice Tests powered by A+ Test Prep, a student-powered practice exam tool that allows them to tailor practice tests to fit their needs, and receive immediate feedback and links back to the material they need to review. The “Study It” module also contains digital flashcards to help students practice key terminology and a student-facing version of the PowerPoint slides that accompany the text.

### **Additional Resources**

Concept Clips: These short concept videos bring to life concepts from the text.

On the Job Videos: These videos enhance the learning experience by giving students the chance to hear from real-world business leaders so they can see the direct application of the management theories they have learned.

## You Make The Decision

You Make the Decision mini-simulation activities build critical thinking and decision-making skills by challenging students to use what they know about concepts and theories in the context of a scenario as it unfolds. Throughout the scenario, the student would be provided with information and subsequently faced with decisions. The scenario can change dynamically based on the decisions the students make throughout the short simulation, resulting in different end points that showcase the consequences of the decisions made along the way.

## Of Special Interest to Instructors

Instructors will find a number of valuable resources available on our Cengage Instructor Center, accessed through your instructor account ([www.cengage.com](http://www.cengage.com).) These include the following:

**Instructor's Manual.** Designed to provide support for instructors new to the course, as well as innovative materials for experienced professors, the Instructor's Manual includes activities and assessments for each chapter and their correlation to specific learning objectives, an outline, key terms with definitions, a chapter summary, and ideas for engaging with students—such as discussion questions, ice breakers, case studies, and social learning activities that may be conducted in an on-ground, hybrid, or online modality.

Cengage Learning Testing Powered by Cognero. 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; and deliver tests from your LMS, your classroom, or wherever you want.

**PowerPoint Lecture Presentation.** The PowerPoint Lecture Presentations provide ample opportunities for generating classroom discussion and interaction. They offer ready-to-use, visual outlines of each chapter, which may be easily customized for your lectures.

Guide to Teaching Online. This guide presents technological and pedagogical considerations and suggestions for teaching the Management course when you can't be in the same room with students.

**Transition Guide.** This guide highlights all of the changes in the text and in the digital offerings from the previous edition to this edition.

Educator Guide: This guide walks you through what the unique activities are in the MindTap, where you'll find them and how they're built for easier curriculum integration.

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Prior to joining the Darden faculty, 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 the William F. Edwards Distinguished Fellow and professor of management at the Marriott School of Business at Brigham Young University. He teaches courses in the areas of human resources management and international business. Prior to joining the Marriott School, Shad was an assistant professor of management and human resources at The Ohio State University and has held appointments at the Sloan School of Management at MIT, Copenhagen Business School in Denmark, China Europe International Business School (CEIBS) in China, Indian School of Business in India 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*, *Academy of Management Journal*, *Journal of International Business Studies*, *Strategic Management Journal*, *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 has been a faculty fellow at Cambridge University's Centre for International Human Resource Management. In addition, Shad is currently an Associate Editor at the *Academy of Management Review* and serves on the board of the *International Journal of Human Resources Management*. 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.



## CHAPTER 1

# The Opportunities and Challenges of Human Resources Management

### Learning Outcomes

*After studying this chapter, you should be able to*

- LO 1** Explain how human resource (HR) 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 resource practices can help a firm address strategic challenges such as globalization, competition, 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 resource managers engage employees.
- LO 6** Provide examples of the roles and competencies of today's HR managers and their relationship with other managers.

We use a lot of words to describe how important people are to organizations. The terms *human resources (HR)*, *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)**. HRM involves a wide variety of activities, including analyzing a company's competitive environment and designing jobs and teams so that 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 and teams; 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 these activities appeal to you, a job managing people might be a rewarding career for you and an excellent reason why you should study HRM. Having a good understanding of HRM is important for managers and entrepreneurs of all types—not just 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 a gardener helping their crops to grow. 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 HRM. 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 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, while 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.

#### LO1

Think of a firm you do business with that is facing the prospect of undergoing dramatic changes just to survive. (Traditional bricks-and-mortar retailers such as Target and Macy's, which are facing stiff competition from online retailers, are 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 the firm achieve that goal?



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

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As Thomas J. Watson, founder of IBM, said, “You can get capital and erect buildings, but it takes people to build a business.”<sup>1</sup>

Lastly, even if you never become a manager, understanding HRM can help you understand your responsibilities and rights as an employee. For example, what if your employer asks for the passwords to your accounts on 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 Organizational Culture

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 a tremendous impact on an organization’s performance. The following quotations from notable CEOs and former CEOs illustrate this point<sup>2</sup>:

#### human capital

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

- “The key for us, number one, has always been hiring very smart people.” (Bill Gates, Microsoft)
- “In technology, it’s about the people. Getting the best people, retaining them, nurturing a creative environment, and helping to find a way to innovate.” (Marissa Mayer, former CEO, Yahoo)
- “You gotta build a team that is so talented, they almost make you uncomfortable.” (Brian Chesky, Airbnb)

Companies that *do* “win” because of the talent they find, hire, and manage include:

- Publix, which empowers its employees to make decisions—decisions that are good for an individual store, its customers, area growers, community, and the firm as a whole.
- Nordstrom, which empowers its employees to go through near-heroics to satisfy customers.
- The Martin Agency, a Virginia-based advertising agency whose talented and creative personnel generate award-winning advertising campaigns like those for insurer Geico and cable-TV network Nickelodeon.
- Sewell Automotive, a family-owned business of 16 automobile dealerships, which emphasizes that building long-term relationships, not selling cars and trucks, is key to its success. The company seeks to hire only the best employees, and develop them as stewards of the company to create long-term “customers for life.”

Unlike physical capital and resources, human capital is intangible—so it cannot be managed the same way that 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.<sup>3</sup> 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. HR managers and programs are often the conduit through which knowledge is developed and transferred among employees. 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.”<sup>4</sup>

Why does knowledge go unshared and unused in organizations? Oftentimes it’s because of a firm’s organizational culture. **Organizational culture** refers to the shared values, beliefs, assumptions, and expectations that permeate an organization. Organizational culture affects how people in an organization work and treat each other and their customers. A negative organizational culture stifles employees and leads to lower productivity and morale. In contrast, a positive organizational culture not only helps employees acquire knowledge and skills, but also fosters curiosity among employees, allows them to grow and thrive, and creates mission-driven teams that actually achieve success.

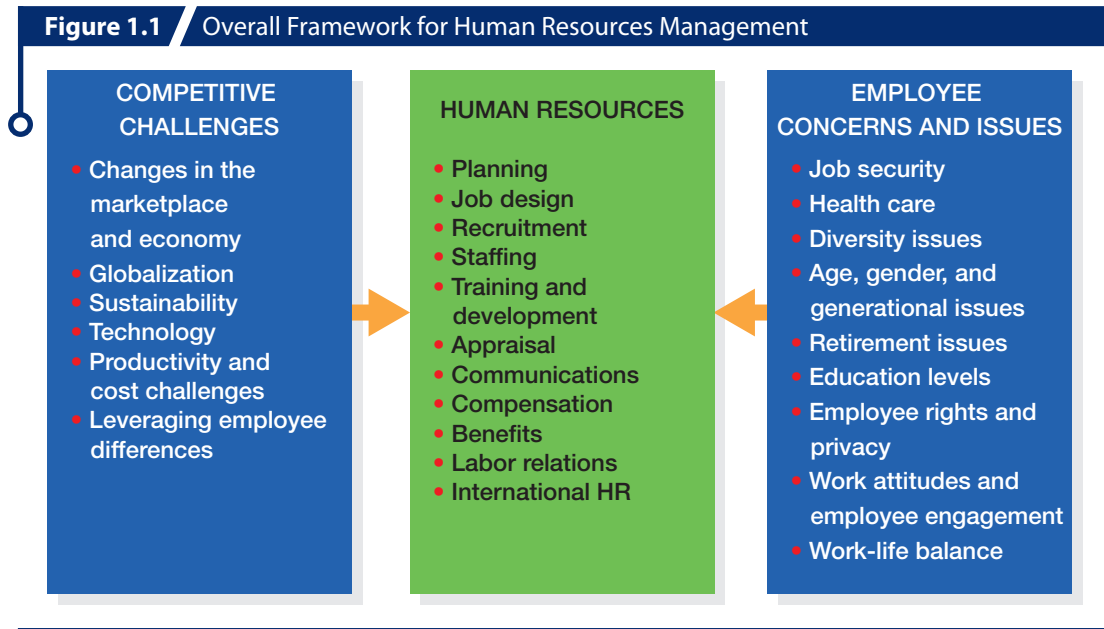
You probably understand organizational culture more than you realize. Are there businesses you like to shop with because they perform better and you enjoy the atmosphere and people? Are there other businesses that are similar but that you don’t like to shop with? The difference is likely due to organizational culture. For example, Marriott’s culture is critical to its success. The hotel chain takes care of its employees. They, in turn, take care of the customers, who come back time and again.

Although “competing through people” and “organizational culture” are major themes of HRM, 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.

What do you think are the biggest human resource–related challenges you would have to face as a manager or team leader? Professional organizations such as the Society for Human Resource Management (SHRM) 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.

#### organizational culture

The shared values, beliefs, and assumptions people in an organization have.



## L02

Name a company you hope to work for someday. What makes it special? How does it create an advantage in the marketplace? Does it put people at the center of their strategy?

## 1.2 Strategic and Global Challenges

When the COVID-19 pandemic devastated economies, businesses, jobs, and families around the world, the challenges of HRM took center stage. Never had senior leaders depended more on their HR colleagues to keep people safe, get them back to work, and help bolster the culture of collaboration and mutual support. There was an initial phase of crisis management, and the challenges of HR extended to longer-term reinvention of work and employment during a time of transformation.

The COVID-19 pandemic highlighted the fact that 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. Since 2000, more than half of the firms in the *Fortune* 500 have either gone bankrupt, been acquired, or ceased to exist as a result of industry disruption (Constellation Research, 2014).<sup>5</sup>

Not surprisingly, a recent IBM study of more than 1,500 executives showed that managing disruption ranked among the top concerns of CEOs. According to these executives, their need to lead change is growing, but their ability to do so is shrinking.<sup>6</sup>

### 1.2a Responding Strategically to Changes and Disruptions in the Marketplace

Products and markets are evolving at a breakneck pace, transforming what businesses produce, how they produce, and for whom. Changes in the stock market, world economic conditions, labor markets, and technology are making “business as usual” a thing of the past. So how do HR managers help their firms cope with ever-changing business conditions? One way is by helping redesign their firms to achieve agility.

**Agility** is a firm's ability make quick changes to gain a competitive advantage. Achieving agility often involves eliminating managerial layers that can slow down decision-making and make an organization less nimble. It means project teams that can gear up fast, make their own decisions, and disband quickly are utilized to develop and get new products out the door while they're "hot." Many tech companies operate this way, and other firms are finding that the model can work for them as well.

The online shoe company Zappos (owned by Amazon) went so far as to eliminate its entire hierarchy of managers. Employees at Zappos aren't told how to work, but instead "self-manage" and belong to voluntary employee teams. The company adapted its internal operations to resemble a market-based system, where teams function like independent small businesses—even managing their own individual profit-and-loss statements. Employees are motivated to develop new skills and capabilities so they can join multiple teams and work on new projects at a moment's notice. Successful companies, says Harvard Business School professor Rosabeth Moss Kanter, develop a culture that just keeps moving all the time.<sup>7</sup> It's been said that "No change means no chance." The change applies to HR managers, too.

**agility**

A firm's ability make quick changes to gain a competitive advantage.

## Human Resources Managers and Business Strategies

In decades past, HR departments were often focused on performing administrative tasks, dealing with unions, and complying with labor laws. While these remain potentially important issues for many firms, HR management is vastly different today. Astute executives know that HR professionals can help them improve, comply with the law, and boost the bottom line by streamlining employment costs. HR professionals can improve the top line by redesigning work to foster innovation, by forecasting labor trends, by recruiting and motivating employees, and by measuring their effectiveness. HR managers also help their firms with business strategies, as well as mergers, acquisitions, and ways to enter new and global markets. "If you look at the evolution going back to when we called HR 'personnel,' it's come a long way as a function," says Art Mazor, with Deloitte Consulting. New HR tools and technologies are allowing the HR function to look outside the tactical, administrative reporting, and data gathering tasks that were once its purview, so as to bring insights and to drive business strategy and results.<sup>8</sup>

Sometimes changing a firm's strategy requires adjusting the composition of the workforce, the number of employees, the skills they require, or the way they approach their work. Growth strategies often require increasing the size of the workforce. Transition or retrenchment strategies may involve reducing the workforce through **downsizing**—the planned elimination of jobs. Innovation strategies often focus on changing the design of work and the way employees approach it, empowering behavior, or cultivating creativity and collaboration. There are many different possibilities when it comes to changing strategy, and we will discuss them further throughout the book.

**downsizing**

The planned elimination of jobs.

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. Although most employees understand that change is continuous—responsibilities, job assignments, and work processes may all change over time—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.

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 an ethical crisis (such as the backlash Volkswagen experienced in 2016 for cheating on its vehicles' emissions tests), have already affected the organization's performance. Other strategic changes are proactive changes, initiated by managers to take advantage of targeted

Some changes are reactive, such as those experienced by Volkswagen when it was revealed the company had cheated on its vehicles' emission tests.

shauhl/Getty Images



opportunities, by innovating and doing things in a new way. These approaches can be particularly important, especially in fast-changing industries in which leaders rule the roost and followers are not successful.

Good HR managers know that they can be key players when it comes to driving the business strategies of their organizations to make changes. That is why forward-looking CEOs, including those of Marriott, Microsoft, UPS, and Vail Resorts, make certain their top HR executives report directly to them and help them address key issues.

A rapidly growing number of companies 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 competitive HR strategies and HR in more depth 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 strategic partners to management, HR managers are 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 this aspect of the job more thoroughly later in the chapter.

## 1.2b Competing, Recruiting, and Staffing Globally

Have you ever thought about working abroad or learning a second (or third) language? Doing so could give you a big advantage in today's workplace. Why? Because the strategies companies are pursuing today increasingly involve one or more elements



of globalization. The integration of world economies and markets has sent businesses abroad to look for opportunities, fend off foreign competitors domestically, and find the right kind of employees to help them do so. Consumers around the world today 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 has long generated more of its revenues abroad than it does in the United States.

Importing and exporting goods and services is the easiest way to “go global.” India has the world’s second-largest population (1.2 billion people) and a growing middle class, so firms are increasingly trying to expand their exports to that country.<sup>9</sup> Apple is one of those companies. Although the iPhone dominates the U.S. market, only 5 percent of smartphones in India are iPhones. Partnerships, mergers, and takeovers are other ways companies are preparing for globalization.

Many American and foreign firms have partnered with Chinese firms to expand in China, which is the world’s most populous country, with 1.3 billion people. In turn, Chinese and other foreign companies are merging with American firms, sometimes in industries you wouldn’t expect. For example, in 2016, the Chinese firm Dalian Wanda Group bought U.S. film company Legendary, which produced *The Dark Knight*, *Jurassic World*, and *Straight Outta Compton*.<sup>10</sup>

As a result of globalization, the national identities of products are blurring, too. BMW is a German brand, but the automaker builds cars in the United States, China, and elsewhere. Likewise, you probably think of Budweiser as an American beer, but its maker (Anheuser-Busch) is owned by a Belgian company called InBev. Like many other companies, Anheuser-Busch InBev has been purchasing or partnering with factories and brands in other countries such as China and Mexico to expand its sales.<sup>11</sup> After buying Legendary, Dalian Wanda Group produced *The Great Wall* starring Matt Damon, which was released in both China and the United States.

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 modern era was reached 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. Since GATT began, the growth in world trade has far outpaced the growth in the world’s overall output. GATT paved the way for the formation of many major trade agreements and institutions, and these are continuously changing. Recently, the United Kingdom decided to exit—“Brexit”—the European Union, and the North American Free Trade Agreement (NAFTA) was revised to establish the United States–Mexico–Canada Agreement (USMCA).

Although they have come under fire from people and politicians around the world, new free-trade agreements continue to be forged. As China continues to gain prominence on the world stage, trade agreements will be an important challenge. Even the United Kingdom’s most vocal opponents of global trade are anxious to complete a new free-trade deal with India so that U.K. firms can do more business with that nation.<sup>12</sup>

## How Globalization Affects HRM

Due to globalization, firms have to balance a complicated set of issues related to different geographies, including different cultures, employment laws, and business practices, and the safety of employees and facilities abroad. Human resource issues underlie each of