**Chapter 1**

**The Nature of Human Resource Management**

**Opening Case: Promoting Profits through People**

**Case Summary**

At first glance Google, Hilcorp, and Quicken Loans appear to have little in common. But they do share a few things in common: They all have been cited as among the most admired companies in the United States by *Fortune* magazine, they routinely appear on lists of the best places to work, and they are consistently profitable. They invest heavily in attracting the best employees and then work diligently to train them and offer them rewarding career opportunities. They pay well, offer good benefits, and strive to make their employees feel valued. The bottom line? While there are many routes to business success, treating employees well is often the best way to go.

**Think It Over**

1. *Given the success enjoyed by Starbucks, American Express, and FedEx, why don’t all firms use similar approaches to managing their employees?*

Students’ answers will vary. Students might state that some managers might not be aware of the various ways to attract the right people for the right job, motivate them, and retain them. Hence, they might not know about these approaches to manage their employees. Therefore, many experts in the field have come to recognize that no set of resources is more vital to an organization’s success than its human resources.

1. *If you were starting a new business, what kind of relationship would you want to have with your employees? How would you go about trying to achieve this?*

Students’ answers will vary. In most organizations today, the role of human resource management has become quite important. Hiring the right people, getting them equipped with the right skills, and then providing them with an environment in which they can truly contribute while substantially affecting the quality and quantity of whatever goods or services the organization produces. Properly motivated and committed employees can add immeasurable value to an organization’s bottom line. For instance, some students might state that they would give their employees a safe working environment, favorable health-care coverage policies, flexible working hours, paid vacation, etc.

**Closing Case: Low Prices, High Pay**

**Case Summary**

Most major retailers follow a simple path—low prices made possible in part by low wages and minimal benefits for their employees. But in recent years another set of retailers has started to thrive, often using a different business model—paying employees more and treating them better, under the assumption that they will be more satisfied and provide better customer service. But perhaps none sets the bar quite as high as Costco.

For starters, Costco pays its employees an average hourly wage of $21.45 and all its full-time employees get health insurance heavily subsidized by the company. Costco got its start back in the 1950s, went through several permutations, and eventually took shape in its current incarnation in 1993under the leadership of James Sinegal. But as already noted, one area where Costco most assuredly is on its employees. The company pays well and offers very good benefits. In addition to health, employees get up to five weeks of paid vacation time a year and Costco matches their contributions to a 401(k) retirement plan. Sinegal retired in 2012 and Craig Jelinek, a long-time Costco executive, took the helm. Under Jelinek’s leadership the retailing behemoth seems to have actually improve its trajectory.

**Think It Over**

1. *Compare your shopping experiences at retailers like Costco, Nordstrom, or Whole Foods with experiences you may have had at Walmart, Sears, or Kroger.*

Students’ answers will vary. Students should be able to explain their answers with relevant examples.

2. *Under what circumstances might Costco have to start paying its workers less?*

Students’ answers will vary. Some of them may say that if competitors of Costco start adopting Costco’s policy for their employees, then Costco might reach a point where it has to pay its employees less so as to survive in the market.

3. *Costco has a policy of not hiring business school graduates because it wants employees to start at the bottom and work their way up. What are the advantages and disadvantages of this approach?*

Students’ answers will vary. Some of them may say that one disadvantage of not hiring business school graduates is that the employees who work at the organization are not knowledgeable. An advantage of this approach is that workers may conform more to the system, without asking too many questions.