



## Chapter Two: Trends in Human Resource Management

Welcome to your guide to teaching Chapter Two, Trends in Human Resource Management!

This guide will provide you with a [chapter summary](#), [learning objectives](#), [lecture outlines](#), [solutions to in-chapter case questions](#) and end of chapter discussion questions and possible responses.

### Instructor's Manual Highlights:

#### Chapter Two Roadmap

We hope you find each chapter of your Instructor Manual practical and useful, but also, **exciting!** You can adapt the chapter text, the PowerPoint, and the video to work in an online class environment, a guided independent study environment, or a face to face or on-ground environment.

- ✓ When presenting Chapter Two, have the students first read the chapter and encourage them to absorb the “big picture” of Human Resource Management.
- ✓ Use the PowerPoint for Chapter Two to frame your lecture.
- ✓ Have students read and discuss the cases and their respective questions.
- ✓ Have students validate their knowledge of the chapter by working through the Discussion Questions at the end of the Chapter.
- ✓ Lastly, have students review, journal, or discuss the Key Vocabulary Terms at the end of the chapter.

## ROADMAP: THE LECTURE

### Chapter Summary

This chapter provides your students with *knowledge of the environment of* Human Resource Management. This chapter will present trends in the labor force and it will explain the internal labor force (an organization's workers) and the external labor market (individuals who are actively seeking employment). Students will read about how the workforce is becoming older and increasingly diverse. Students will acquire an understanding of skill deficiencies in the workforce and they will learn how HRM can address those deficiencies. The chapter will discuss how HRM can help organizations become high-performing, and the benefits of empowering employees. HRM is a strategic partner during other changes that are occurring in the business environment, including mergers and acquisitions, and technological changes. Lastly, the chapter will present the change in the employment relationship, where organizations expect employees to take more responsibility for their own careers, from seeking training to balancing work and family. Employees, in turn, seek flexible work schedules, comfortable working conditions, control over how they accomplish their work, training and development opportunities, and financial incentives based on corporate performance.

### Learning Objectives for Chapter Two

After studying this chapter, the student should be able to:

1. Describe trends in the labor force composition and how they affect human resource management.
2. Summarize areas in which human resource management can support the goal of creating a high-performance work system.
3. Define employee empowerment and explain its role in the modern organization.
4. Identify ways HR professionals can support organizational strategies for growth, quality, and efficiency.
5. Summarize ways in which human resource management can support organizations expanding internationally.
6. Discuss how technological developments are affecting human resource management.
7. Explain how the nature of the employment relationship is changing.
8. Discuss how the need for flexibility affects human resource management.

## Lecture Outline

### I. Introduction

The way in which organizations conduct business continues to change. In this vignette there are two examples of organization that have gotten rid of their HR departments and delegated the HR responsibilities to line managers. LRN Corporation found that it wasn't so easy just to get rid of HR. Their line managers struggle with job and salary information which slows down the hiring process. Beam Company took their HR and made some into "business partners" which advise line managers on basic HR questions. There are a lot of ways to "do HR" and not one right way for each organization. HR is not going away, but there are different ways to get the job done.

### Discussion Question and Suggested Response

1. Should students be concerned that they won't get a job in HR if companies continue to make these types of changes?

No, because the HR function still needs to be done. Students need to understand that they might work in an HR department or they might work as an internal business partner, and external outsourcing partner, or a PEO type of organization. There are a lot of ways to be a strategic HR partner and students should keep their minds open on how they might use their skills in the workplace of the future.

This chapter will describe major trends that are affecting human resource management. It will examine the modern labor force, including trends that are determining who will participate in the workforce of the future. The chapter will explore the ways that HRM can support a number of trends in organizational strategy, from efforts to maintain high-performance work systems to changes in organizational size and structure.

### II. Change in the Labor Force

1. The labor force is a general way to refer to all people willing and able to work.
2. The **internal labor force** consists of the organization's workers-its employees and the people who have contracts to work at the organization.
3. The **external labor market** is comprised of individuals who are actively seeking employment.
2. An organization's internal labor force is derived from its external labor market.
3. Human resource professionals need to be aware of trends in the composition of the external labor market because these trends affect the organization's options for creating a well skilled, motivated internal labor force.

### A. An Aging Workforce

1. The Bureau of Labor Statistics (BLS) has projected that from 2012 to 2022, the total civilian U.S. labor force will grow from 155 million to 163 million workers.
2. **Figure 2,1 Age Distribution of the U.S. Labor Force**, presents the proportions of workers in different age ranges in the United States between the years 2012 and 2022.
2. By 2022, all baby boomers will be at least 55 years old, swelling the ranks of workers.
3. Human resource professionals will spend much of their time on concerns related to planning retirement, retraining older workers, and motivating workers whose careers have plateaued.
4. Organizations will struggle with ways to control the rising costs of health care and other benefits, and many of tomorrow's managers will supervise employees much older than themselves.

### B. A Diverse Workforce

1. Another kind of change affecting the U.S. labor force is that it is growing more diverse in racial and ethnic terms.
2. **Figure 2.2, Projected Racial/Ethnic Makeup of the U.S. Workforce, 2022**, identifies the estimated diverse makeup of the working population by 2022.
3. The greater diversity of the U.S. labor force challenges employers to create HRM practices that ensure they fully utilize the talents, skills, and values of all employees.
4. The growth in the labor market of female and minority populations will exceed the growth of white non-Hispanic persons.
5. The Hispanic share of the U.S. labor force is expected to near 19 percent of the total in 2022.
6. Along with greater racial and ethnic diversity, there is also greater gender diversity. By 2022, the share of women in the civilian labor force is expected to reach about 47 percent.
7. Managing cultural diversity involves many different activities such as creating an organizational culture that values diversity, ensuring that HRM systems are bias-free, encouraging career development for women and minorities, promoting knowledge and acceptance of cultural differences, ensuring involvement in education both within and outside the organization, and dealing with employees' resistance to diversity.

8. **Figure 2.3, HRM Practices that Support Diversity Management**, summarizes ways in which HRM can support the management of diversity for organizational success.
9. The greater the diversity of the U.S. labor force challenges employers to create HRM practices that ensure that they fully utilize the talents, skills, and values of all employees. Organizations cannot afford to ignore or discount the potential contribution of women and minorities.
10. Employers will have to ensure that employees and HRM systems are free of bias and value the perspectives and experience that women and minorities can contribute to organizational goals such as product quality and customer service.
11. Managing cultural diversity involves many different activities:
  - a. Creating an organizational culture that values diversity, ensuring that HRM systems are bias-free.
  - b. Encouraging career development for women and minorities
  - c. Promoting knowledge and acceptance of cultural differences
  - d. Ensuring involvement in education both within and outside the organization
  - e. Dealing with employees' resistance to diversity

## HRM Social

Managers debate the issue of the value of social media in the workplace. Most are concerned that social media lowers productivity. A Canadian worker study found that one third of the workers felt that social media was distracting and did lower productivity. However, a Warwick Business School survey found that information workers felt access to social media increased their productivity. In general, the younger the worker, the more social media helped productivity.

## Discussion Questions with Possible Responses

1. Thinking about your current job or a job you would like to have, would access to social media help or distract you? Do you think your age plays a role in your opinion? Why?

Student answers will vary.

2. How could human resource management support decisions about creating a policy for using social media?

Social media is not a passing trend. It is here to stay and organizations can get a better handle on the value of social media by understanding how it impacts workers and their productivity. It is important to make a realistic policy and not one that can't be enforced. Best practice would suggest that a focus group of cross sectional employees would be part of the group to work on the policy.

### C. Skill Deficiencies of the Workforce

1. The increasing use of computers to do routine tasks has shifted the kinds of skills needed for employees in the U.S. economy.
2. Often, when organizations are looking for technical skills, they are looking for skills related to computers and using the Internet.
3. Today's employees must be able to handle a variety of responsibilities, interact with customers, and think creatively. To find such employees, most organizations are looking for educational achievements. A college degree is a basic requirement for many jobs today.
4. The gap between skills needed and skills available has decreased U.S. companies' ability to compete because they sometimes lack the skills to upgrade technology, reorganize work, and empower employees.

### III. High-Performance Work Systems

1. **High-performance work systems** are organizations that have the best possible fit between their social system (people and how they interact) and technical system (equipment and processes).
2. Among the trends that are occurring are reliance on knowledge workers, empowerment of employees to make decisions, and use of teamwork.
3. **Table 2.1**, Top 10 Occupations for Job Growth, according to the Bureau of Labor Statistics, from employee projections, 2012-2022. These jobs require widely different levels of training and responsibility, and pay levels vary considerably.

#### A. Knowledge Workers

1. The growth in e-commerce, plus the shift from a manufacturing to a service and information economy, has changed the nature of employees that are in demand..
2. The number of service jobs has important implications for human resource management. Research shows that if employees have a favorable view of HRM practices, they are more likely to provide good service to customers.

3. Of the jobs expected to have the greatest percentage increases, most are related to healthcare and computers.
4. The fastest growing occupations are expected to be biomedical engineers, network systems and data communications analysts, home health aides, personal and home care aides, and financial examiners. Many of these occupations require a college degree.
5. The future U.S. labor market will be both a knowledge economy and a service economy.
6. **Knowledge workers** are employees whose main contribution to the organization is specialized knowledge.
7. As more organizations become knowledge-based, they must promote and capture learning at the level of employees, teams, and the overall organization.
8. The reliance on knowledge workers affects organizations' decisions about the kinds of people they are recruiting and selecting.

## **B. Employee Empowerment**

1. To completely benefit from employees' knowledge, organizations need a management style that focuses on developing and empowering employees.
2. **Employee empowerment** means giving employees responsibility and authority to make decisions regarding all aspects of product development or customer service.
3. HRM practices such as performance management, training, work design, and compensation are important for ensuring the success of employee empowerment.
4. Employees must be properly trained to exert their wider authority and use information resources such as the internet.
5. The use of employee empowerment shifts the recruiting focus away from technical skills and toward general cognitive and interpersonal skills.

## **C. Teamwork**

1. Organizations need to set up work in a way that gives employees the authority and ability to make decisions. One of the most popular ways is to increase employee responsibility and control is to assign work to teams.
2. **Teamwork** is the assignment of work to groups of employees with various skills who interact to assemble a product or provide a service.

3. Work teams often assume many activities traditionally reserved for managers such as selecting new team members, scheduling work, and coordinating work with customers and other units of the organization.
4. In some organizations, technology is enabling teamwork even when workers are at differed locations or work at different times. These organizations use virtual teams. Virtual teams are teams that rely on communication technology such as videoconferences, e-mail, and cell phones to keep in touch and coordinate activities.
5. Teamwork can motivate employees by making work more interesting and significant.
6. At organizations that rely on teamwork, labor costs may be lower as well.

#### **IV. Focus on Strategy**

1. The strategic role for HRM has evolved gradually. At a growing number of organizations, HR professionals are strategic partners with other managers.
2. The specific ways in which human resource professionals support the organization's strategy vary according to their level of involvement and the nature of the strategy.
3. Strategic issues include emphasis on quality and decisions about growth and efficiency. Human resource management can support these strategies, including efforts such as quality improvement programs, mergers and acquisitions, and restructuring.
4. **Figure 2.4, Business Strategy: Issues Affecting HRM**, summarizes strategic issues facing human resource management.

#### **HR Oops!**

##### **Less Helpful than a Search Engine!**

Access to information is essential in the information age. According to a Hay Group survey, HR professionals are not responding quickly enough to line manager's questions and concerns. In one survey, 29% of line managers rated Google above the HR department for providing pertinent information. From the HR perspective, almost half are spending time simply responding to line manger inquiries. HR needs to determine how they can set up line managers with the information they need so that HR can be more strategic.

##### **Discussion Questions with Possible Responses**

1. Suggest one way that HR managers might improve their helpfulness to managers.

Answer will vary. Set up an Intranet that houses key information that line manager need so they don't have to contact HR for basic functional questions, have set office and call hours for line managers to call where they will get a live HR person to answer their question.

2. Suggest one way that line managers can improve communication with HR managers so they get the support they need.

Answers will vary. Keep HR in the communication loop with employee issues so every phone call isn't a crisis, keep HR updated on department goals and objectives.

### A. Mergers and Acquisitions

1. Organizations join forces through mergers-two companies becoming one-and acquisitions-one Company buying another.
2. HRM should have a significant role in carrying out a merger or acquisition. Differences between the businesses involved in the deal make conflict inevitable. Therefore, training efforts should include development of skills in conflict resolution.
3. HR professionals have to sort out differences in the two companies' practices with regards to compensation, performance appraisal, and other HR systems.

### B. High Quality Standards

1. To compete in today's economy, companies need to provide high-quality products and services.
2. **Total quality management (TQM)** refers to a company-wide effort to continuously improve the ways people, machines, and systems accomplish work.
3. TQM has several core values:
  - a. Methods and processes are designed to meet the needs of internal and external customers.
  - b. Every employee in the organization receives training in quality.
  - c. Quality is designed into a product or service so that errors are prevented from occurring rather than being detected and corrected.
  - d. The organization promotes cooperation with vendors, suppliers, and customers to improve quality and hold down costs.

- e. Managers measure progress with feedback based on data.
- 4. The TQM approach provides guidelines for all the organization's activities, including human resource management. To promote quality, organizations need an environment that supports innovations, creativity, and risk taking to meet customer demands.

### C. Downsizing

1. **Figure 2.5, Number of Employees Laid Off During the Past Decade**, identifies the number of layoffs that have occurred despite the ongoing war for talent.
2. The surge in unemployment created a climate of fear for many workers.
3. An important challenge for employers was how to maintain a reputation as an employer of choice and how to keep employees engaged in their work and focused on the organization's goals.
4. Downsizing presents a number of challenges and opportunities for HRM:
  - a. Reduction of the workforce by cutting only the workers who are less valuable in their performance.
  - b. Boost the morale of employees who remain after the reduction.
5. HR professionals should maintain open communication with remaining employees to build their trust and commitment, rather than withholding information.
6. All employees should be informed why the downsizing is necessary, what costs are to be cut, how long the downsizing will last, and what strategies the organization intends to pursue.
7. HRM can provide downsized employees with outplacement services to help them find new jobs.

### D. Reengineering

1. Rapidly changing customer needs and technology have caused many organizations to rethink the way they get work done.
2. **Reengineering** is a complete review of the organization's critical work processes to make them more efficient and able to deliver higher quality.
3. Reengineering affects human resource management in two ways:

- a. First, the way the HR department itself accomplishes its goals may change dramatically.
- b. Second, the fundamental change throughout the organization requires the HR department to help design and implement change so that all employees will be committed to the success of the reengineered organization.

### **E. Outsourcing**

1. Many organizations are increasingly outsourcing business activities. **Outsourcing** refers to the practice of having another company—a vendor, third-party provider, or consultant—provide services.
2. Not only do HR departments help with a transition to outsourcing, but also many HR functions are being outsourced. A recent study suggests 8 out of 10 companies outsource at least one human resource activity.
3. Goodyear Tire and Rubber Company improved its recruiting and hiring practices by outsourcing these activities to a specialist.

### **Best Practice**

#### **Outsourcing Enriches the Bottom Line for Land O'Lakes**

Land O'Lakes successfully reduced cost by outsourcing some HR activities. Pam Grove, the Senior Director of Benefits and HR Operations, determined that managing the health and pension plans internally didn't align with the strategic objectives of the organization. She outsourced both of the HR activities and achieved her goal of reducing costs while maintaining employee satisfaction of their benefits.

### **Discussion Questions and Possible Responses**

1. When does outsourcing make strategic sense for an organization such as Land O'Lakes?

It makes sense when the activity that is being outsourced can be easily done externally and is not part of a key business strategy. Transactional activities are the best to be done on an outsourcing basis so the HR professionals can spend more time being strategic.

2. How does Grove ensure that a cost-conscious practice such as outsourcing is well received by the employees?

Communication is the key. With any change, employees are concerned about how it will impact them. The key to a successful outsourcing is to talk with employees and let them know the purpose of the outsourcing and how any policy or procedures will change. It is also important to share the cost savings.

## F. Expanding into Global Markets

1. In order to meet challenges, U.S. companies must develop global markets, keep up with competition from overseas, hire from an international labor pool, and prepare employees for global assignments.

## G. The Global Workforce: For today's and tomorrow's employers, talent comes from a global workforce.

1. Organizations with international operations hire at least some of their employees in the foreign countries where they operate. In fact, regardless of where their customers are located, more and more organizations are looking overseas to hire talented people willing to work for less pay than the U.S. labor market requires.
2. The efforts to hire workers in other countries are common enough that they have spurred the creation of a popular name for the practice: **offshoring**. This is the moving of operations from the country where a company is headquartered to a country where pay rates are lower but the necessary skills are available.
3. Hiring in developing nations such as India, Mexico, and Brazil gives employers access to people with potential to be eager to work yet who will accept lower wages than elsewhere in the world.
4. Important issues that HR experts can help companies weigh include whether workers in the offshore locations can provide the same or better skills, how offshoring will affect motivation and recruitment of employees needed in the United States, and whether managers are well prepared to manage and lead offshore employees.
5. For an organization to operate in other countries, its HR practices must take into consideration differences in culture and business practices. Starbucks Coffee is an example of an organization that manages these differences effectively.
6. **Figure 2.6, Where Immigrants to the United States Came from in 2012**, shows the distribution of immigration by continent of origin.

## H. International Assignments: Employees who take assignments in other countries are called **expatriates**.

1. U.S. companies must better prepare employees to work in other countries as the failure rate for U.S. expatriates is greater than that for European and Japanese expatriates.

## V. Technological Change in HRM

1. Advances in computer-related technology have had a major impact on the use of information for managing human resources.
2. A **human resource information system (HRIS)** is a computer system used to acquire, store, manipulate, analyze, retrieve, and distribute information related to an organization's human resources.
3. An HRIS can support strategic decision making, help the organization avoid lawsuits, provide data for evaluating programs and policies, and support day-to-day HR decisions.
4. **Table 2.2, New Technologies Influencing HRM**, describes some of the new technologies that may be included in an organization's HRIS.

#### **A. Electronic Human Resource Management**

1. The development of e-business has included ways to move HRM activities onto the Internet such as:
  - a. Enrollment and participation in training programs online.
  - b. Selection of and enrollment in benefit items online.
  - c. Seeking answers to HR-related questions online.
  - d. Reading company news online.
2. The processing and transmission of digitalized HR information is called **electronic human resource management (e-HRM)**.
3. E-HRM has the potential to change all traditional HRM functions. **Table 2.3, HRM Applications for Social Networking**, identifies some major implications of e-HRM. Some of these applications include:
  - a. Sites for capturing, sharing, storing knowledge.
  - b. Online surveys to gather employees' opinions.
  - c. Online discussions, such as commenting tools.
  - d. Sites where users can post links to articles, webinars, training programs, and other information.
  - e. Instant messaging and other communication tools to use with mentors and coaches.
  - f. Site where the HR department posts job openings and responds to candidate's questions.

4. Privacy is an important e-HRM issue. A great deal of HR information is confidential and not suitable for posting on a website for everyone to see.
5. One solution is to setup e-HRM on an intranet, which is a network that uses Internet tools but limits access to authorized users in the organization.

**B. Sharing of Human Resource Information:** Information technology is changing the way HR departments handle record keeping and information sharing.

1. Employees can now get information through **self-service**. This means employees have online access to information about HR issues, can go online to enroll in programs and services, and can provide feedback through online surveys.
2. Today, employees routinely look up workplace policies and information about their benefits online and they may receive electronic notification when deposits are made directly to their bank accounts.
3. A growing number of companies are combining employee self-service with management self-service such as the ability to go online to authorize pay increases, approve expenses, and transfer employees to new positions. More sophisticated systems extend management applications to decision making in areas such as compensation and performance management.
4. To further support management decisions, a company may create an HR dashboard, or a display of how the company is performing on specific HR metrics.

## HR How To

### Providing HR Services on Mobile Devices

Software vendors are busy creating HR apps to help HR become more efficient and relevant to the workforce and applicants. Most employees and applicants don't just want Internet access to company information and jobs, they want mobile access. The vignette gives guidelines for developing HR mobile apps.

### Discussion Questions and Possible Responses

1. How could offering a mobile version of its careers website support an organization's strategy?  
  
It would allow more access to the jobs which could mean more qualified applicants. It could also mean finding applicants that are current on the use of technology.
2. What could be an advantage of using a software vendor for mobile HR apps, instead of having your organization's employees create the apps?

Although in-house IT employees could create an app that would work, the advantage to using a software vendor is that you will receive ongoing support, upgrades, and training. If the in-house employee leaves, sometimes the support leaves too.

### **VIII. Change in the Employment Relationship**

1. Technology and the other trends we have described in this chapter require managers at all levels to make rapid changes in response to new opportunities, competitive challenges, and customer demands.
2. These changes are most likely to succeed in flexible, forward-thinking organizations.
3. Employees who will thrive in such organizations need to be flexible and open to change as well.

#### **A. A Psychological Contract**

1. A **psychological contract** is a description of what an employee expects to contribute in an employment relationship and what the employer will provide the employee in exchange for those contributions.
2. This contract is not formally put into words. It describes unspoken expectations that are widely held by employers and employees.
3. The psychological contract has changed over the years. To stay competitive, modern organizations must frequently change the quality, innovation, creativeness, and timeliness of employee contributions and the skills needed to make those contributions. This need has led to organizational restructuring, mergers and acquisitions, layoffs, and longer hours for many employees.
4. New organizational expectations result in less job security for employees, who can count on working for several companies over the course of a career. The average length of time a person holds a job has declined during this decade from nine years to just seven.
5. In exchange for top performance and working longer hours without job security, employees want companies to provide flexible work schedules, comfortable working conditions, more control over how they accomplish work, training and development opportunities, and financial incentives based on how the organization performs.
6. Employees can enjoy variety, develop skills and build an interesting career without job hopping by asking for challenging assignments and cultivating a network of professional contacts within their present company.

## Did You Know?

### Half of U.S. Employees Interested in Changing Jobs

More than half of US workers would welcome an offer letter for a new job. Jobvite found that 71% are actively looking for a new job.

### Discussion Question and Possible Response

1. What challenges and opportunities do employers face in a climate where half of an organization's employees feel ready to leave?

A large problem is employee engagement. If the employees aren't engaged then productivity suffers. Employers should be concerned about engaging their employees and finding out what it would take to keep employees from leaving. A good tool to use is retention surveys...ask employees why they stay and what would be the top reason they would leave.

### B. Flexibility

1. The new psychological contract results from the HRM challenge of building a committed, productive workforce in turbulent economic conditions.
2. Flexibility in HRM includes flexible staffing levels and flexible work schedules.
3. **Flexible Staffing Levels:** A flexible workforce is one the organization can quickly reshape and resize to meet its changing needs.
4. **Alternative work arrangements** are methods of staffing other than the traditional hiring of full-time employees. There are a variety of methods including the following:
  - a. Independent contractors.
  - b. On-call workers.
  - c. Temporary workers.
  - d. Contract company workers.
5. Recent research suggests that the use of contingent workers has been growing and has surpassed 2 million workers in the United States and one-fourth of total work hours.
6. Most workers in alternative employment relationships are choosing these arrangements, but preferences vary.

7. **Flexible Work Schedules:** The globalization of the world economy and the development of e-commerce have made the notion of a 40-hour workweek obsolete.
8. Many organizations are taking steps to provide more flexible work schedules, protect employees' free time and more productively use employees' work time.
9. Employers are using flexible schedules to recruit and retain employees and to increase satisfaction and productivity.
10. Flexible work schedules and flexible job assignments also provide organizations with a way to increase satisfaction and productivity.

## ROADMAP: CASE STUDY

### Thinking Ethically

#### How Should Employers Protect Their Data on Employees' Devices?

Companies are finding it increasingly difficult to manage their intellectual property now that employees have Smartphone and tablets many times which are not owned by the company. When a phone is lost or stolen a company finds that the data stored on the device is not at risk. HR and IT are trying to determine the best policies to deal with the potential situations that protect the employees personal information and also the company's information.

#### Discussion Questions and Possible Responses:

1. Imagine you work in the human resources department of a company considering a policy to protect its data on employees' mobile devices. In advising on this policy, what rights should be considered?

The rights of the company need to be considered as they have intellectual rights that need to be protected. Also, the rights of customers, vendors, and stakeholders should be protected. Finally, the privacy rights of the employee need to be protected.

2. What advice would you give or actions would you take to ensure that the policy is administered fairly and equitably?

It would be important for all stakeholders to be involved in developing the policy. If the company doesn't own the equipment they must realize that a natural consequence is

additional risk. That is the nature of the current information technology world. It is best to design a policy that employees will respect to increase the chance it will be followed.

## **ROADMAP: Key Terms**

Internal Labor Force

External Labor Market

High-Performance Work Systems

Knowledge Workers

Employee Empowerment

Teamwork

Total Quality Management

Reengineering

Outsourcing

Offshoring

Expatriates

Human Resource Information System (HRIS)

Electronic Human Resource Management (e-HRM)

Self-Service

Psychological Contract

Alternative Work Arrangements

## **ROADMAP: Review and Discussion Questions**

1. How does each of the following labor force trends affect HRM?
  - a. Aging of the labor force
  - b. Diversity of the labor force
  - c. Skill deficiencies of the labor force

An organization's internal labor force comes from its external labor market-individuals who are actively seeking employment. In the United States, this labor market is aging and becoming more racially and ethnically diverse. The share of women in the U.S. workforce has grown to nearly half of the total. To compete for talent, organizations must be flexible enough to meet the needs of older workers, possibly redesigning jobs. Organizations must recruit from a diverse population, establish bias-free HR systems, and help employees understand and appreciate cultural differences. Organizations also need employees with skills in decision-making, customer service, and teamwork, as well as technical skills. The competition for such talent is intense. Organizations facing a skills shortage often hire employees who lack certain skills, then train them for their jobs.

2. At many organizations, goals include improving performance through people by relying on knowledge workers, empowering employees, and assigning work to teams. How can HRM support these efforts?

The employment of knowledge workers, empowering employees, and assigning work to teams are current trends that are indicative of a high-performance work system in action. Human resource management can support these efforts, respectively, through modification of the recruiting and selection processes-recruiting and hiring those individuals with the necessary knowledge, utilization of human resource practices such as performance management, training, work design, and compensation to ensure success of employee empowerment, and increasing the employees' responsibilities and control via work assigned to teams.

3. How do HRM practices such as performance management and work design encourage employee empowerment?

Performance management systems and work design give the employees the information needed to understand their job, the responsibilities, and have accountability. When employees are trained properly and understand their job, they have more latitude in making decisions.

4. Merging, downsizing, and reengineering all can radically change the structure of an organization. Choose one of these changes and describe HRM's role in making the change succeed. If possible, apply your discussion to an actual merger, downsizing, or reengineering effort that has recently occurred.

Human resource management's role in these endeavors is a significant one. For instance, in a merger situation, differences between the businesses involved in the deal make conflict inevitable. Therefore, training efforts should include development of skills in conflict resolution. HR professionals have to sort out differences in the two companies' practices with regard to compensation, performance appraisal, and other human resource systems. Settling on a consistent structure to meet the combined organization's goals may help to bring employees together. In a downsizing scenario, human resource management must "surgically" reduce the workforce by cutting only the workers who are less valuable in their performance while boosting the morale of employees who remain after the reduction. In a reengineering situation, the way the human resource department itself accomplishes its goals may change dramatically. The fundamental change throughout the organization requires the human resource department to help design and implement change so that all employees will be committed to the success of the reengineered organization.

The student responses will vary as to the example selected, however for the choice of merging, the formation of Citigroup would be an excellent example to offer.

5. When an organization decides to operate facilities in other countries, how can HRM practices support this change?

Organizations with international operations hire employees in foreign countries where they operate so they need knowledge of differences in culture and business practices. Even small businesses serving domestic markets discover that qualified candidates include immigrants, as they account for a significant and growing share of the U.S. labor market. This means human resource management requires knowledge of different cultures. Organizations also must be able to select and prepare employees for overseas assignments. This requires preparation, support, and training being provided to the expatriate

6. Why do organizations outsource HRM functions? How does outsourcing affect the role of human resource professionals? Would you be more attracted to the role of HR professional in an organization that outsources many HR activities or the outside firm that has the contract to provide the HR services? Why?

HRM functions are outsourced to afford the company access to in-depth expertise and is often more economical for the organization as well. The utilization of outsourcing provides human resource managers more time to study and work on the strategy and vision of the organization. Human resource management's responsibilities can be more focused on responsibilities that add value to the business.

The responses provided by the students will vary depending upon their personal viewpoints. However, each response provided should discuss rationales for why such a decision was made.

7. What HRM functions could an organization provide through self-service? What are some of advantages and disadvantages of using self-service for these functions?

The concept of self-service is indicative of the way employees can now receive information that they consider vital to them. This means that employees have online access to information about HR issues such as training, benefits, compensation, and contracts; go online to enroll themselves in programs and services, and provide feedback through online surveys. While it is advantageous to have immediate access to information, it has the disadvantage of losing the one-on-one contact with the HR professional.

8. How is the employment relationship typical of modern organizations different from the relationship of a generation ago?

The employment relationship takes the form of a psychological contract that describes what employees and employers expect from the employment relationship. It includes unspoken expectations that are widely held. In the traditional version, organizations expected their employees to contribute time, effort, skills, abilities, and loyalty in exchange for job security and opportunities for promotion. Today, modern organizations' needs are constantly changing so organizations are requiring top performance and longer work hours but cannot provide job security. Instead employees are looking for flexible work schedules, comfortable working conditions, greater autonomy, opportunities for training and development, and performance-related financial incentive. For HRM, the changes require planning for flexible staffing levels.

9. Discuss several advantages of flexible work schedules. What are some disadvantages?

Some advantages include having an option to be nimble with staffing needs by having a temporary or contract worker only when needed. Flexible work schedules reduce payroll and benefit costs and allows to hire people as needed with special skills and abilities.

Disadvantages include not having employees with certain skills available at all times, not always having someone available as needed, and an employee who is not as engaged in the culture with loyalty to the organization.

## **ROADMAP: End of Chapter Case**

### **Taking Responsibility**

#### **Taking Care of People Gives Cisco Systems a Strategic Advantage**

Cisco Systems is a global organization that has been able to maintain consistent and growth and profitability even during the recession. One reason they were able to do that was because of Don McLaughlin's, head of tactical HRM, ability to cut HR costs while increasing employee satisfaction. He did that by getting his HR employees to get to know the business they supported and creating plans to improve the company's talent, leadership, organization, and

culture. Cisco also developed the Cisco Learning Network which trains customers and partners and is a way to build an online network.

### **Discussion Questions and Possible Response:**

1. How has Cisco Systems prepared itself for responding to trends in labor force?

One thing they did was to move to a Global Business Service unit which focuses on delivery day to day services and strategic planning. They also have a new learning network that trains people around the work and give exposure to their job openings and increases their ability to network with clients and potential employees.

2. How have Cisco's HR managers balance concerns for cost and quality?

They focused on reducing costs while maintain quality which meant costs only dropped 10% but quality (employee satisfaction) went up. If they only focused on cost they may have reduced more but at the expense of lower employee satisfaction.

## **Managing Talent**

### **Netflix Treats Workers "Like Adults"**

Netflix looks to hire employees and then treat them "like adults." In Netflix terms, that means that the employees are mature enough to take responsibility. Patty McCord and Reed Hastings came up with five principles that would direct the HRM approach.

1. Hire, reward, and keep only "fully formed adults."
2. Tell the truth about performance.
3. Managers are responsible for creating great teams.
4. The company's leaders must create the company culture.
5. HR managers should think of themselves first as businesspeople.

Netflix rewards high performers with high pay and flexible schedules. Employees who don't do the job are asked to leave. There is no sense of entitlement for a job and the company stays agile.

### **Discussion Questions and Possible Responses**

1. How well suited do you think Netflix's principles are to managing the knowledge workers (mainly software engineers) who work for Netflix? Explain.

They are well suited because knowledge workers tend to be self-motivated and would thrive in an environment where they are were treated as adults.

2. What qualities of Netflix support the idea that it is a high-performance work system? What other qualities would contribute to it being a high-performance work system?

In a high-performance work culture the organization relies on knowledge workers and empowers employees to make decisions. One thing they could do to further develop the culture would be to develop the use of teams.

## ROADMAP

### HR in Small Business

#### Radio Flyer Rolls Forward

Radio Flyer is a private business that has gone through some difficult times. It spent hundreds of thousands of dollars on a project that they then had to abandon. Next, they had to close their factory in Chicago and outsource their manufacturing to China, laying off about half of its workforce. The company has made efforts to build morale its remaining U.S. workforce, holding events like Radio Flyer Olympics and providing incentives for employees to participate in health-related activities.

#### Discussion Questions and Possible Responses:

1. How could a human resource manager help Radio Flyer get the maximum benefit from the motivational efforts described in this case?

A human resource manager could help systematize these efforts, communicate them throughout the employee base, and help build them into the compensation and benefits and performance management systems of the company. HR could help managers learn how to effectively convey the messages the company needs to transmit about corporate decisions, performance, and how they affect employees. These activities could result in higher levels of employee engagement and commitment, which in turn, as we've learned in the chapter, lead to better quality work and positive workplace climate.

2. Do you think outsourcing would be harder on employees in a small company such as Radio Flyer than in a large corporation? Why or why not? How could HRM help to smooth the transition?

Student responses may vary. Outsourcing could be more difficult in a small company, because of the likelihood that strong bonds were formed among employees. Conversely, it could be easier because employees might get more attention and assistance with finding work. HR could help smooth the transition by exhibiting compassion, helping employees to articulate their skills and translate them into new opportunities, and serve as a reference for those displaced workers.

3. What additional developments described in this chapter could help Radio Flyer live out the high value it places on learning and innovation?

The company could use social media to connect employees in the U.S. and in China, in order to build community in the different locations in which the company operates. The company could also provide training and mentoring programs, pairing seasoned employees with new employees. This could help with engagement, and innovation, and it would also signal to experienced employees that they are valued. Women and minorities could benefit from programs that are clearly designed to be inclusive of them, and those types of efforts (in recruiting, training, and performance measurements) could also result in high levels of engagement. Managers, too, could be trained to appreciate diversity, and to treat all employees with respect. This would foster the learning environment that the company values.

## **HRM DVD Vol 3 Suggested Video with Discussion Questions and Possible Responses**

### **Video Part 1: Once the Deal is Done: Making Mergers Work (20:56)**

#### **Video Summary**

Every year there are thousands of mergers and acquisitions, totaling trillions of dollars. According to studies, 2/3rds of mergers failed to live up to the expectations for them. Although firms often join together for financial reasons, the top challenge in mergers and acquisitions is integrating different cultures. Cultures can vary in many ways including the customs of conducting business, how people are expected to act, and behaviors that are rewarded.

The video reviews a merger between the Australian insurance company, Bupa Australia, now the nations largest, privately managed health insurance group, and the NBF group, which was Australia's second largest health insurer. Senior leaders in both companies realized that great people were the key to delivering the promise of becoming a healthcare partner for its customers. A major objective in the new company was to retain talented people.

The video focuses on the post merger integration process, which is critical when two large companies join together. The Managing Director of Bupa, Richard Bowden, describes the keys to successful integration.

#### **Discussion Questions**

1. What are some of the key strategies that companies can utilize with employees to ensuring a successful merger or acquisition?

Companies have many strategies they can use to ensure a successful merger. The first is to ensure that communication is consistent and constant in its nature. When employees have voids of information they fill the voids themselves, often with inaccurate or distorted information.

Additionally, leadership visibility is key. People need to know their leaders are there by their side every step of the process. Also, there needs to be a solid and clear plan of action. Employees need to see a vision and know what their part within that vision may be. Last, leaders must ensure they are taking more than ample time to listen and respond to all employee concerns.

**2.** What are some of the major challenges companies face when confronted with a merger and acquisition?

During mergers and especially acquisitions, there is so much 'noise' that employees find it difficult to determine the truth from the rumor. Employees are desperate for information. Another challenge is ensuring a tight execution of the merger strategy. It is best to make decisions and move quickly on implementation. Having big gaps between communication and execution causes concern and encourages employees to lose faith in the process. Also, forgetting to focus on the people first is a major challenge. Without engaged employees, and focusing solely on the metrics of the business, you will not perform well under the new company. Additionally, hanging on to one culture or set of values is a challenge, as that alienates a significant number of employees during the merger. Last, ensuring customer needs are met is a big challenge. They have a lot of concerns and want to be sure their businesses are not interrupted during the transition process.