[Please click here to access the new HRM Failures case associated with this chapter.](#HRMFailures) HRM Failures features real-life situations in which an HR conflict ended up in court. Each case includes a discussion questions and possible answers for easy use in the classroom. HRM Failures are not included in the text so that you can provide your students with additional real-life content that helps engrain chapter concepts.

**Chapter Summary**

This chapter discusses the role of the Human Resource Management (HRM) function in the corporate effort to gain a competitive advantage. The chapter first discusses the roles and skills that a human resource management department and/or managers need for any company to be competitive. The second section of the chapter identifies the competitive challenges that U.S. companies currently face, which influence their ability to meet the needs of shareholders, customers, employees, and other stakeholders. We discuss how these competitive challenges are influencing HRM. The chapter concludes by highlighting the HRM practices covered in this book and the ways they help companies compete.

**Learning Objectives**

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

1. Discuss the roles and activities of a company’s human resource management function.
2. Discuss the implications of the economy, the makeup of the labor force, and ethics for company sustainability.
3. Discuss how human resource management affects a company’s balanced scorecard.
4. Discuss what companies should do to compete in the global marketplace.
5. Identify how new technology, such as social networking, is influencing human resource management.
6. Discuss human resource management practices that support high performance work systems.
7. Provide a brief description of human resource management practices.

**Extended Chapter Outline**

Note: Key terms are boldface and are listed in the "Chapter Vocabulary" section.

**Opening Vignette:**

**Mars Incorporated: HR Practices Help Create Sweet Success**

Mars Incorporated is a company we are all aware of through products such as M&M’s, Snickers candy bars, Wrigley’s Juicy Fruit gum, Uncle Ben’s Converted Rice, or Lifesavers (everyone has heard of Lifesavers!). What we might not be aware of is that Mars Inc. is the 3rd largest private company in the United States employing 72,000 employees across the US and 72 other countries, they compete in 6 business segments (food, drinks, pet care, chocolate, gum and confections, and symbioscience), that they own 11 brands that generate over $1 billion in revenue each.

Their success is in part due to excellent human resource practices that allow them to attract, develop, and retain some of the best employees in the business (in fact, they are #95 on the 2013 Fortune 100 Best Companies to Work For list). The success of these employees is guided by 5 principles: Quality, Responsibility, Mutuality, Efficiency and Freedom—which are also the foundations of the company culture and business approach. The company enjoys a 5% turnover in sales force employees and $33 billion in global revenue produced by their employment force who refer to themselves as “Martians”.

One might think employees at such a profitable company would expect perks like stock options, game rooms, or private chefs on staff. Not at Mars – employees simply love the company culture and the products they produce. The company does provide vending machines with free candy and encourages employees to chew Wrigley’s gum at meetings! In terms of monetary incentives, if a team at Mars performs well, employees on that team can earn upwards of 20% of their annual salary in bonus pay. New employees learn about the Five Principles through “The Essence of Mars” training and many eventually attend “Mars University” for further training in functional topics and leadership skills. Other facets include encouragement from the company to be involved in the community, mentoring programs, open books management, and a Mars Ambassadors program (where select employees spend 6 weeks working with Mars partners in developing areas of the world).

**Discussion Questions**

1. Think about the Five Principles of Mars. How does this company translate those principles into action? What types of benefits does the firm enjoy as a result of those principles? What do these principles translate into in terms of benefits for employees?

Student answers may vary but certainly look for evidence that students understand the relationship between Human Resource Management practices, an organization’s guiding principles, and business success. In particular, look for evidence that students connect Mars’ business model which emphasizes its principles with the Human Resource Management practices of the company.

I. Introduction

A. **Competitiveness** refers to a company's ability to maintain and­ gain market share in its industry.

1. Competitiveness is related to effectiveness, which is determined by whether the company satisfies the needs of stakeholders (groups affected by business practices).

B. **Human Resource management (HRM)** refers to policies, practices and systems that influence employees’ behaviors, attitudes and performance. (See Figure 1.1)

1. Effective HRM practices have been shown to relate to company performance by contributing to employee and customer satisfaction, innovation, productivity, and development of a favorable reputation in the community in which the firm is located.

2. The HRM contribution has only recently been recognized.

II. What responsibilities and roles do HR departments perform?

A. Responsibilities that the HR department is solely responsible for include outplacement, Labor Law Compliance, record keeping, testing, unemployment compensation, and some aspects of benefit administration. (See Table 1.1).

B. Many different roles and responsibilities can be performed by the HR department depending on the size of the company, the characteristics of the workforce, the industry, and the value system of the company’s management.

C. HRM as a Business with Three Product Lines (See Figure 1.2):

1. Administrative services and transactions: compensation, hiring, staffing.

* An emphasis is placed on resource efficiency and service quality.

2. Business partner services: developing effective HR systems and helping implement business plans, talent management.

* An emphasis is placed on knowing the business and exercising influence—problem solving, designing effective systems to ensure needed competencies.

3. Strategic partner: contributing to business strategy based on considerations of human capital, business capabilities, readiness, and developing HR practices as strategic differentiation.

* An emphasis is placed on knowledge of HR and of the business, competition, the market, and business strategies.

III. Strategic Role of the HRM Function

1. The amount of time that the HR function is devoting to administrative tasks is decreasing and its role as a strategic business partner, change agent, and employee advocate are increasing.
2. Shared Services Model refers to a way to organize the HR function that includes centers of expertise, service centers, and business partners.
   1. Centers of expertise or excellence include HR specialists in areas such as staffing or training who provide their services companywide.
   2. Service centers are a central place for administrative and transactional tasks such as enrolling in training programs or changing benefits that employees and managers can access online.
   3. Business partners are HR staff members who work with business unit managers on strategic issues such as creating new compensation plans or development programs for preparing high-level managers.
3. Advancement in technology is enhancing self-service. **Self-service** is the process of giving employees control of HR transactions. This allows employees to take greater responsibility for their own careers.
   1. Also involves providing apps that give them information about issues like training, benefits, compensation and contracts; online enrollment for programs and services; and completing online attitude surveys.
4. **Outsourcing** refers to the practice of having another company provide services.
   1. Most common outsourced activities are related to benefits administration, relocation, and payroll.
   2. Reasons for outsourcing include cost savings, increased ability to recruit and manage talent, improve service quality, and protecting the company from lawsuits by having standardized processes such as selection and recruitment.
5. Are Human Resources Playing a Strategic Role in the Business?
   1. Table 1.2 provides a list of 8 questions a manager can ask to determine if the HR function is providing a strategic role in the business or not.
6. Concerning demonstrating the strategic value of HR, organizations are recognizing that data is necessary to answer the question of whether or not HR is contributing to business goals.
7. **Evidence-based HR** refers to demonstrating that human resources practices have a positive influence on the company’s bottom line or key stakeholders.
8. Evidence-based HR requires the use of **HR or workforce analytics** which is the practice of using data from the HR databases and other sources such as financial statements and employee surveys to make evidence-based human resource decisions.
9. The HRM Profession
10. There are many different types of jobs in the HRM profession. (See Table 1.3 for a list of positions and median salaries)
11. The primary professional organization for HRM is the Society for Human Resource Management (SHRM).
12. The nine competencies and behaviors that were developed through a literature review by SHRM are presented in Figure 1.3.

VI. Competitive Challenges Influencing Human Resource Management (See Figure 1.4)

A. The Sustainability Challenge

1. **Sustainability** refers to the ability of a company to survive and succeed in a dynamic competitive environment.

2. Company success is based on how well the company meets the needs of its stakeholders. **Stakeholders** refer to shareholders, the community, customers, and all of the other parties that have an interest in seeing that the company succeeds.

3. Several changes in the economy have important implications for human resource management. Some key statistics about projections up to 2020 in the economy and the workforce are shown in Table 1.4.

4. The competition for labor is affected by the growth and decline of industries, jobs, and occupations. Competition for labor is also influenced by the number and skills of persons available for full-time work. (See Table 1.5)

* + - 1. The most significant percentage change in employment from 2010 to 2020 is expected to be health care support and personal care, community and socials services, construction and extraction, and computer and mathematical occupations.
  1. The fastest growing jobs in these occupations include jobs such as personal care aids (provide services such as cooking meals), home health aides (provide services such as administering medicines), veterinary technologist and technicians, software developers, marriage and family therapists, and brick masons.

6. Increased Value Placed On Intangible Assets and Human Capital

a. **Intellectual assets** refer to a type of company asset including human capital, customer capital, social capital, and intellectual capital. (See Table 1.6).

b. **Knowledge workers** are employees who own the intellectual means of producing a product or service.

1. There is an increased emphasis on empowerment and continuous learning.
   * 1. **Empowerment** means giving employees responsibility and authority to make decisions regarding all aspects of product development or customer service.

b. As more companies become knowledge-based, they must promote and capture learning at the employee, team, and company levels.

c. A changing environment means that all employees must embrace a philosophy of learning. A **learning organization** embraces a culture of lifelong learning, enabling all employees to continually acquire and share knowledge.

8. Need to Adapt to Change

a. **Change** refers to the adoption of a new idea or behavior by a company. With increasingly shorter industry lifecycles, change is an inevitable part of organizational life which has impacted the employment relationship. Things like mergers, downsizing, acquisitions and growth all play a role.

9. Concerns with Employee Engagement

a. **Employee engagement** refers to the degree in which employees are fully involved in their work and the strength of their job and company commitment. (See Table 1.7).

b. Employees who are engaged in their work and committed to the company they work for give companies competitive advantages (higher productivity, better customer service, lower turnover).

10. **Talent management** is a systematic planned strategic effort by a company to attract, retain, develop, and motivate highly skilled employees and managers.

a. Companies report that one of the most important talent management challenges they face is developing existing employees for managerial positions and attracting and retaining top level managers in leadership positions.

11. Use of Alternative Work Arrangements

a. **Alternative work arrangements** include use of independent

contractors, on call workers, temporary workers, and contract

company workers.

12. Demanding Work, but with More Flexibility

a. The globalization of the world economy and the development of e-commerce have made the notion of a 40-hour work week obsolete.

b. Many companies are taking steps to provide more flexible work schedules, protect employees’ free time, and more productively use employees’ work time.

13. The balanced scorecard: Measuring performance to stakeholders (See Table 1.8)

1. The **balanced scorecard** gives managers the opportunity to look at the company from the perspective of internal and external customers, employees and shareholders.
2. The balanced scorecard should be used to link human resource management activities to the company’s business strategy and evaluate the extent to which the human resource function is helping the company’s meet its strategic objectives.

**Evidence-Based HR: Ceasars Entertainment**

Caesars Entertainment is trying to understand how employees use health care in order to reduce costs yet provide effective treatment options for its employees. Caesars analyzes employees and their family members’ health insurance claim data. The data includes how employees use medical services such as emergency room visits and whether they choose generic or brand name drugs. Analysis of the insurance claim data identified locations where employees tended to use more expensive emergency room visits rather than relying on less expensive and as effective urgent care facilities. HR communicated a reminder to employees

of the high cost of emergency room services and provided a list of alternative urgent care facilities. Since Caesars began tracking and analyzing the data the company has saved over $4 million by shifting employees with emergencies to urgent care services!

**Class Exercise**

Have the students break into small groups of three to four each, and have them discuss the following question: *What specific lessons does the case of Ceasars Entertainment present about employee engagement? To what extent does it matter that employees understand how their actions and their decisions relate to the business strategy? How does the case of Ceasars Entertainment, presented in this Evidence-Based HR vignette, illustrate the effects of employee engagement?*

Answers could include the following:

Effective employee engagement practices communicate to employees how their actions positively contribute to the strategy of the business. When employees feel that their actions contribute to organizational strategy, they are more committed, they tend to stay longer, they have higher aspirations for themselves at their organizations, and they make more prudent decisions that will benefit themselves as well as the company.

13. Customer Service and Quality emphasis

1. Customer excellence requires attention to product and service features as well as to interactions with customers.
2. **Total Quality Management** can be defined as "a cooperative form of doing business that relies on the talents and capabilities of both labor and management to continually improve quality and productivity using work teams." This is one strategy companies are currently using.
3. The TQM movement has alerted management to the key role HRM plays in the achievement of quality.
4. The **Malcolm Baldrige National Quality Award** was established by President Reagan to publicize successful quality strategies. (See Table 1.9 for the award criteria)

**Example**: One of the 2013 Baldridge award winners was Lockheed Martin Missiles and Fire Control (MFC), headquartered in the Dallas, Texas area with another facility in Orlando, Florida. MFC designs, develops, manufactures, and supports advanced combat, missile, rocket, and sensor systems for the U.S. and also foreign militaries. The company’s workforce of over 10 thousand employees produces and delivers products through contracts in more than 60 countries. MFC has attained a leading market share and sustained growth over the past four years in each of its lines of business. Time reductions as a result of process and performance improvement programs have occurred in all lines of MFC’s businesses, yielding an estimated saving of $225 million annually. Return on investment has grown at a 23 percent compound annual rate, faster than the industry-best competitor at 13.7 percent. From 2006 to 2011, annual orders from repeat customers have increased by 32 percent and international orders have increased by almost 400 percent. The company also utilizes various HR practices, such as annual ethics training and performance evaluations geared towards steering employees to meet commitments and achieve the company’s mission, vision, and values.

c. The ISO 9000:2000 standards were developed by the International Organization for Standardization in Geneva, Switzerland. ISO 9000 is the name of a family of standards (ISO 9001, ISO 9004) that includes requirements such as how to establish quality standards and document work processes to help workers understand quality system requirements. ISO 9000:2000 has been adopted as a quality standard in nearly 100 countries.

d. The **Six Sigma process** refers to a system of measuring, analyzing, improving, and then controlling processes once they have been brought within the narrow Six Sigma quality tolerances or standards. The objective of Six Sigma is to create a total business focus on serving the customer—that is, deliver what customers really want when they want it.

e. The idea of **lean thinking** is a way to do more with less effort, time, equipment, and space, but still provide customers with what they need and want. The process may include training workers in new skills, learning how to apply old skills in new ways so workers can quickly take over new responsibilities, or using new skills to help fill customer orders.

f. Table 1.10 provides examples of HR practices companies use to enhance customer service.

**Competing Through Sustainability**

**Volunteerism and Going Green are Reaping Dividends for Employees, Communities, and the Environment**

A growing number of companies have made sustainability an important part of their business strategy. General Electric’s health care unit identified maternal and infant mortality as frequent causes of death in India. For example, the infant mortality rate for India, a country with 1.2 billion people is 55 children for every 1,000 births. GE worked with nonprofit organizations and hospitals to understand patient and health care needs. As a result, GE identified opportunities to help as well as gain a potential market for new products. About 700 million people can’t afford maternal or birth services. Also, to bring to market a product required overcoming several obstacles including power outages, a lack of money and space in hospitals for large, costly equipment, high levels of dust and pollution, and difficulty of getting replacement parts through government bureaucracy. GE developed a baby warmer, called the Lullaby, which provides heat for cradles. The Lullaby is targeted to help people and communities with few financial assets. The Lullaby is easy to use: it uses only buttons with pictures indicating their function. At General Mills, volunteerism is one of the ways that the company lives its corporate values. The CEO and senior leaders serve on nonprofit boards and are involved in the community.

For example, employee volunteers are helping improve the efficiency of a plant in Malawi which produces a high-nutrient peanut butter paste that is distributed to malnourished children across the country. Malawi has 13 million people, most are farm families living in poverty.

Pharmaceutical company Novartis supports REPSSI, an African-based philanthropic organization that provides emotional and psychological support for children who lose their parents or guardians to AIDS. The program began in a single district in Tanzania and has expanded to 13 sub-Saharan African countries. The company’s trainers provide REPSSI’s employees with leadership development training. REPSSI managers need training in communication skills, providing feedback, intercultural skills, and project management. Novartis transformed its corporate training programs into a form useful for REPSSI. The training content is delivered through instructor-led courses and e-learning. Novartis and training vendor partners, including business schools, send speakers at their own expense to Africa. Instructors are also available for follow-up after each course is completed.

Gilbane Building Company, a construction business headquarted in Rhode Island, has a strong commitment to sustainability. Gilbane’s High Performance Building Program is a service offered to clients to assist with the development and implementation of energy efficiency and sustainability goals in a project. Using building practices in which construction wastes fewer materials and uses less energy helps to protect the environment as well as providing customers with available tax breaks for building “green” and lower heating and cooling costs. As a result, Gilbane can be both socially responsible and profitable.

**Discussion Question**

1. What are the benefits for these corporations who encourage volunteerism and “going green”? Can you identify an organization in your own community that engages in socially responsible practices such as encouraging employee volunteerism? In encouraging sustainability through “green” practices?

Student responses may vary, but look for evidence that students understand the definition of social responsibility and look for specific responses that could include the improvement in the health and welfare of world citizens through the hard work and dedication of volunteers. Other responses could include the strengthening of the company’s tie to its community and the world community that results in a positive reputation.

D. Changing demographics and diversity of the workplace

1. The labor force of current employees is often referred to as the **internal labor force.**

2. The **external labor market** includes persons actively seeking employment.

3. Aging of the workplace

a. Figure 1.5 compares the projected distribution of the age of the workforce in 2010 and 2020.

b. The labor force will continue to age, and the number of workers age 55 and older will grow from 19% to 25% by 2020.

1. The labor force participation of those 55 years and older is expected to grow because older individuals are leading healthier and longer lies than in the past. Additionally, the high cost of insurance and the decrease in health benefits causes many employees to keep working to keep their employer-based insurance.
2. The workforce is now comprised of 5 generations. Each generation has a unique set of characteristics, some of which are similar to other generational groups. Table 1.11 provides an overview of the years born, nicknames, and ages of each generation.

4. As figure 1.6 shows, the U.S. workforce is becoming increasingly diverse. To successfully manage a diverse workforce, managers must develop a new set of skills, including:

a. Communicating effectively with employees from a wide variety of cultural backgrounds.

b. Coaching and developing employees of different ages, educational backgrounds, ethnicity, physical ability, and race.

c. Providing performance feedback that is based on objective outcomes rather than values and stereotypes that work against women, minorities, and handicapped persons by prejudging the persons’ abilities and talents.

d. Creating a work environment that makes it comfortable for employees of all backgrounds to be creative and innovative.

4. Managing cultural diversity can provide a competitive advantage to companies (See Table 1.12).

E. Legal Issues

1. Several areas in the legal envi­ronment have influenced HRM practice: emphasis on eliminating discrimination in hiring and employment, safety and health legislation, pay and benefits legis­lation – in particular healthcare reform. Most recently, healthcare reform will force employers of 50 or more people full time who do not offer healthcare coverage to pay a $2,000 penalty per employee. Other areas of concern are employment of illegal immigrants, data security, and intellectual property issues. Companies will look to the HR department for guidance in these areas.

F. Ethical Issues (Figure 1.7 outlines the principles of ethical companies)

1. **Ethics** are the fundamental principles of right and wrong by which employees and companies interact. Ethical criteria should be used in company and employee interactions. Ethical principles include the emphasis of mutual benefits, employees assuming responsi­bility for company actions, a meaningful corporate vision for employees, and fairness.

2. The **Sarbanes-Oley Act of 2002** is a congressional act that sets strict rules for ethical corporate behavior – especially in regards to accounting procedures, setting heavy fines and prison terms for noncompliance.

**Integrity in Action**

**Leading a Turnaround Through People Practices**

Many CEOs don’t practice what they preach, but that isn’t the case for Bob Flexon, CEO of

Dynergy, Inc. Flexon works out of a cubicle similar to the ones occupied by other employees at the company’s headquarters. This is one of many changes Flexon made in policies and practices in hopes of revitalizing the employees and growth of the power generation company, which recently emerged from bankruptcy. He cut costs (saved $5 million) and increased interactions between employees by moving the company headquarters offices to a single open floor. He also is visible at the company’s power plants, banned employees from checking email and phones during meetings, and reinstated annual performance reviews. The company’s highest ranking managers participated in a two-day offsite meeting including trust building exercises. Managers resisted attending the offsite meeting and many did not want to exchange their private offices for cubicles. Flexon also led the development of a new purpose statement for the company (“Energizing You, Powering Our Communities”) and placed a specific emphasis on three of the six company core values including safety, accountability, and agility (the other company values are responsibility, integrity, and collaboration). The company estimates it will have spent over $400,000 by the end of the year to train managers in the new culture. Flexon and his management team personally introduced the new culture to employees through plant visits. To reinforce the new culture 15 employees have been trained as “culture champions” whose role it is to insure that fellow employees’ behavior is consistent with the new policies and practices. The culture is also reinforced in performance management. One part of the revised performance management process includes managers evaluating employees on the extent to which they behaved in accordance with the core values.

What are the results of the CEO’s efforts? Employee turnover is down from 8% to 5.8%. Morale is up and employees know that safety is a serious issue. The bottom line still needs to be fixed (the company lost over $1 billion for the first nine months of 2012) but Flexon believes that the new culture and people practices will make a difference in creating profits.

DISCUSSION QUESTION

Which HR practices do you think have the greatest influence on a company’s turnaround effort? Which have the least influence? Explain your choices.

Student responses may vary, but look for evidence that students understand the important linkage between organizational leadership, contact with management, HR practices and employee behaviors. Students may identify the fact that Flexon is “in the trenches” with everyone else and is attempting to lead by example. They may also identify that behaviors such as this will be modeled by other managers and those behaviors may trickle down throughout the organization.

G. The Global Challenge

1. Entering International Markets **-** In order to survive, U.S. companies must, improve HRM practices, develop global markets and better prepare employees for global assignments.

* + 1. Development of Global Markets. The most admired and successful companies in the world have not only created multinational corporations, but have created organizations with workforces and corporate cultures that reflect the characteristics of the global markets in which they operate.
    2. Global business expansion has been made easier by technology. Using the Internet, e-mail, and video-conferencing, business deals can be completed between companies thousands of miles apart.
    3. Globalization has affected not only businesses with international operations. Companies without international operations buy or use goods that have been produced overseas, hire employees with diverse backgrounds, and compete with foreign-owned companies operating within and outside of United States. Globalization is not limited to a particular sector of the economy or product market.
    4. To compete in the world economy, U.S. companies need to put greater effort into effective HRM practices.
    5. U.S. companies must do a better job of preparing employees and their families for international assignments, especially given the current high failure rate.

2. **Offshoring** refers to the exporting of jobs from developed countries to less developed countries. **Reshoring** refers to moving jobs from overseas to the United States.

**Competing Through Globalization:**

**Bon or No Bon: Is It Better to Criticize or Adapt to a Country Culture?**

Maurice Taylor is chairman and CEO of Titan International, which was considering buying a tire factory in northern France. He is known for his nononsense management style. Titan wanted to buy an unprofitable factory put up for sale by Goodyear Tire & Rubber. But it decided to pull out of negotiations for the factory when union employees would not work longer hours to save jobs. Taylor had visited the factory several times and offered to keep about half the factory staff for two years, but his proposal was rejected by the union, which wanted their jobs secure for seven years. In response to his frustration at being unable to negotiate favorable terms for the purchase of the factory, Taylor sent a letter to France’s Industry Minister, who had requested that Taylor continue to negotiate for the plant. His letter harshly criticized France and the union. He stated that it would be stupid to operate in a country where workers get high wages for little work. For example, he pointed out that the French workforce gets paid high wages but works only three hours a day. The other hours are spent on lunch, breaks, and discussion among employees. In the letter he went on to suggest that France was not a competitive country for U.S. investment and stated that Titan was going to purchase a Chinese or Indian tire factory, pay less than one euro per hour wages (less than three dollars), and ship all the tires that France needs without having to employ their workers.

France does have labor laws that make it expensive to fire employees. Recently, recognizing the potential barrier that employment regulations pose to getting foreign businesses to locate there, France has moved to push employers to try to agree with unions on more flexible conditions of employment. France’s President Francois Hollande’s labor reform plans include allowing companies to reduce employees’ hours and wages in difficult economic conditions, change regulations related to layoffs, and limit the time employees can appeal layoff decisions. Will France lose all of its industrial business as claimed by Taylor? In response to Taylor’s letter, France Industry Minister Arnaud Montebourg responded that France ranks as one of the leading destinations for company investment. He also pointed out that Taylor’s comments were both extreme and insulting and illustrated his ignorance of France.

DISCUSSION QUESTION

Should the CEO have insisted that the French adopt work hours and rules that were similar to what we have in the U.S.? Why or Why not? What things could he have done to reach a deal for the plant that was more closely aligned with U.S. work policies and practices?

Student responses will likely be varied from a culturally insensitive extreme of ethnocentrism to an extreme of complete surrender to the French culture. The reality of the situation is that an organization’s (and work force’s) culture is derived in part from the local indigenous culture. As such, to come in and “demand” compliance with traditions and employment practices that are completely unfamiliar to an entire workforce would spell disaster. It is also a useless tactic to admonish a country’s leadership in how they are administering their country.. The short answer response it would garner would likely be “then don’t do business here”. Tact and culturally sensitive discussion are the things that will lead to a compromise.

SOURCE: G. Parussini, “U.S. CEO to France How Stupid Do You Think We Are?” Wall Street Journal, February 21, 2013, p. B1; E. Jarry and C. Bremer, “U.S. Tire Executive Calls

French Slackers,” The Columbus Dispatch, February 22, 2013, p. A2.

H. The Technology Challenge

1. Advances in sophisticated technology along with reduced costs for the technology are changing many aspects of human resource management. Technology is pushing the boundaries of artificial intelligence, speed synthesis, wireless communications, and networked virtual reality.

2. **Social Networking** refers to websites and blogs that facilitate interactions between people. Useful for making connections with customers and potential customers, but the fear among many employers exists that using them will result in wasted time and some employees offending or harassing others. (Table 1.13 provides a brief overview of potential issues that can be addressed using social networking).

**Competing Through Technology:**

**Connectiveness Enhances HR Practices**

Social networks such as Facebook and Twitter help people satisfy their need to be connected to their friends. Recognizing the importance of “connectiveness,” companies of all sizes and in various industries are using social networks to enhance many different HR practices including recruiting, training and development, scheduling, and enhancing employee’s engagement. Recruiters can use social networking to connect and communicate with job candidates, create online communities for job candidates to learn about the company, and monitor news such as store closings or layoffs which can provide a potential group of new employees. Macy’s has used Twitter to post job openings and to reach out to recruit merchandise buyers laid off by other retailers who were closing their stores. [CareerBuilder.com](http://CareerBuilder.com) is using an app that shows its employees which of their Facebook friends would be matches for job openings at the company and encourages them to share that information. Del Frisco’s Steakhouse in Manhattan can quickly create a schedule for its servers on a computer or i-Phone and post it to a website which automatically sends the schedule to all employees’ cell phones. Servers can make schedule changes but the system tracks hours to ensure that they do not exceed allowed overtime work hours. Long Realty in Tuscon, Arizona, established Long Connects, an internal social networking site for real estate agents to seek help and discuss issues such as how to deal with a specific bank to secure financing, trends in the current real estate market, and the best way to handle properties sold for less than the amount owed on the mortgage to avoid foreclosure (short sales).

Verizon uses social networking tools to train employees to support new products and devices. Device Blog, Device Forum, and Learning Communities help insure that employees are ready to support customers when new products and devices are introduced to the market, engages Verizon’s multigenerational workforce, and facilitates peer-to-peer learning. Device Blog makes available information and updates on wireless devices (such as DROID), FAQs (frequently asked questions), how-to-videos, and troubleshooting tips. Device Forums enable retail employees to learn from peers and product manufacturers. Employees can ask each other questions, share issues, post tips, make suggestions, and access product experts. Learning Communities are accessed through the Device Blog. They include video blogs, message boards, links to online training modules, and product demonstrations. In addition to these tools, employees have access to My Network for collaborating with their peers, knowledge and document sharing, and creating working groups. Some instructors also use it for posting supplemental content for learners use.

DISCUSSION QUESTION

1. What are some of the potential disadvantages of using social networks or microblogs such as Twitter for HR practices?

Students may identify the positives of such practices, but there is the potential for a loss of “community” and in-person identification and connectedness through the use of social media. Also, these methods of communicating are not as dynamic and interactive as in-person interaction and cannot address all of the subtleties and intricacies of HR practice.

1. Explain how social networking can be used for various HR practices. Can you think of other ways that the HR function in an organization can use Twitter, Facebook, LinkedIn, or other types of social networking? Also, are companies limited to using popular applications such as these in order to achieve the benefits of connectivity, or are their other ways of doing so? Provide examples.

Companies use various forms of social networking tools to enhance and support HR practices, and they are not limited to well known systems such as Twitter, LinkedIn, or Facebook. Students may give various examples: Long Realty’s use of “Long Connects” which provides a way for realtors to share information about lenders; Kelly Services uses a tool called “chatter” which helps employees share information. Student responses to imagining other uses of social networking for HR can vary but examples could also include perhaps using social networking to distribute information about benefits plans, or to use it to help employees of different types of interests connect, or it could be used to facilitate mentor/mentee relationships.

SOURCES: Based on M. Rafter, “Goin’ Mobile,” Workforce Management, February 2011, pp. 26–27; L. Stevens, “Through the Looking Glass,” Human Resource Executive, April 2011, pp. 26–29; M. Ciccarelli, “It’s Personal,” Human Resource Executive, September 16, 2010, pp. 1, 14–20; B. Roberts, “Mobile Workforce Management,” HR Magazine, March 2011, pp. 67–69; G. Kranz, “More to Learn,” Workforce Management, January 2011, pp. 27–30; S. Ladika, “Socially Evolved,” Workforce Management, September 2010, pp. 19–22; B. Roberts, “Developing a Social Business Network,” HR Magazine, October 2010, pp. 54–60;

M. Weinstein, “Verizon Connects to Success,” Training, January/February 2011, pp. 40–42.

3. **Human Resource Information Systems (HRIS)** are systems companies use to acquire, store, manipulate, analyze, retrieve and distribute HR information. These data can include personal information, training records, skills, compensation rates, absence records, and benefits information. An HRIS may be used to support strategic decision-making and ensure legal compliance, as well as to evaluate programs and policies or support daily operating concerns.

**Example**: Florida Power & Light Company in Juno Beach, Florida uses its HRIS to support decisions and provide information to its employees. Managers can track vacation and sick days as well as change staffing and pay levels for their more than 10,000 employees using the system. It also allows managers to create their own personnel reports, rather than having to rely on the HR department to create them.

4. **Cloud Computing** refers to computing system that provides information technology infrastructure over a network in a self-service, modifiable, and on-demand model.

5. An **HR dashboard** is an HR metrics such as productivity, absenteeism that are accessible by employees and managers through the company intranet or human resource information system.

6. A **High Performance Work System** is a work system used to maximize the fit between the company’s social system and technical system. An example would be a computer-integrated manufacturing system that uses robots and computers to automate the manufacturing process. The computer allows the production of different products simply by reprogramming the computer. As a result, laborer, material handler, operator/assembler, and maintenance jobs may be merged into one position.

7. A **Virtual Team** is a team that is separated by time, geographic distance, culture, and/or organizational boundaries and that rely almost exclusively on technology (e-mail, Internet, videoconferencing) to interact and complete their projects.

8. Human resource management practices that support high-performance work systems are shown in Table 1.14.

VII. Meeting the Competitive Challenges through HRM Practices - HRM practices that help companies respond to the four competitive challenges can be grouped into the following four dimensions. (See Figures 1.8 and 1.9)

A. Figure 1.8 provides examples of how HRM practices can be used by companies to meet global, sustainability and technology challenges.

B. Figure 1.9 outlines the major dimensions of HRM practices that contribute to the competitiveness of the firm.

1. Managing the Human Resource Environment—HRM practices should be linked to strategy, legal compliance must be assured, and work should be designed to maximize employee effectiveness and motivation.
2. Acquiring and Preparing Human Resources—Human resource planning must occur, employees must be recruited and placed in appropriate jobs, methods of employee selection must be determined, and ensuring employees have skills to perform particular jobs.
3. Assessment and Development of Human Resources—This area of HRM deals with measuring employee performance, preparing employees for future work roles, identifying and responding to employee interests, and creating a beneficial and effective work environment.
4. Compensating Human Resources— Appropriate pay systemsmust be developed, employee contributions must be rewarded,and employees must be provided with benefits.
5. Special Issues—Labor unions create an additional HRM challenge.

VIII. The final paragraph and Table 1.15 present the overall organizationof the text.

**Chapter Vocabulary**

These terms are defined in the **"Extended Chapter Outline" section.**

Alternative Work Arrangements

Balanced Scorecard

Competitiveness

Change

Cloud Computing

Ethics

Employee engagement

Empowering

Evidence-based HR

External labor market

High-performance work systems

HR dashboard

HR or Workforce Analytics

Human resource information system

Human resource management (HRM)

Intangible assets

Internal labor force

ISO 9000:2000

Knowledge workers

Lean Thinking

Learning organizations

Malcolm Baldrige National Quality Award

Offshoring

Outsourcing

Reshoring

Sarbanes-Oxley Act of 2002

Self-service

Shared Services Model

Six Sigma Process

Social Networking

Stakeholders

Sustainability

Total quality management (TQM)

Virtual teams

**A Look Back**

Mars is trying to preserve its company culture and improve product revenues while keeping employees engaged.

**QUESTIONS**

1. What HR practices do you believe are critical for Mars Incorporated to maintain the culture and product quality and growth it’s known for?
2. Could Mars’ be successful without its current HR practices? Explain.
3. Do you think that Mars’ culture and HR practices can also help the bottom line at companies in other industries such as health care, manufacturing, or research and development? Explain why or why not.
4. Mars is a privately held company and a family-owned business. What advantages (or disadvantages) can this provide for developing effective HR practices compared to a public company “owned” by its shareholders?

**Discussion Questions**

1. Traditionally, human resource management practices were developed and administered by the company's human resource department. Line managers are now playing a major role in developing and implementing HRM practices. Why do you think non-HR managers are becoming more involved in developing and implementing HRM practices?

As the relationship between various HRM practices and the productivity and performance of employees has been recognized, line managers have strong reasons to become involved in the development and implementation of HRM practices. The information from line managers is critical to determining needed and appropriate policies and practices that will reinforce the strategic and operational needs of the organization. For instance, if quality needs improvement, then it is critical that incentive/compensation practices be developed to reward quality improvement, rather than volume production.

2. Staffing, training, compensation, and performance management are important HRM functions. How can each of these functions help companies succeed in meeting the global challenge, the challenge of using new technology, and the sustainability challenge?

Training may improve deficient skills, performance appraisal techniques may emphasize and measure quality improvement, and compensation practices may be used to reinforce needed change. Diverse work force, low skill levels of entry‑level workers could be helped by training and performance management techniques. Obviously, using selection processes that are fair and nondiscriminatory while selecting the best employees is important. And again, compensation systems that reward the acquisition of needed skills could help here.

The work systems challenge necessitates that employees adjust to working in team structures (training and selection), that they receive higher‑level and basic skills training, and once again that compensation and performance management systems are used to motivate and reinforce appropriate behaviors.

Finally, the global challenge may produce the organizational need for employees who speak multiple languages, who are trained to adjust to new cultures and who are sensitive to cultural differences. Employees with the flexibility and skills needed to work in various cultures or with individuals of diverse backgrounds may be selected or developed through training. Appropriate rewards will maintain these valuable employees.

3. What are intangible assets? How are they influenced by human resource management

practices?

Intangible assets are a type of company assets including human capital, customer

capital, social capital, and intellectual capital. Human resource management such as

training, selection, performance management, and compensation have a direct impact on human and social capital. For example, Southwest’s emphasis on training and

development of employees with skills to perform multiple jobs allows the airline to

quickly clean and service airplanes.

4. What is “Evidence-based HR”? Why might an HR department resist becoming

evidence-based?

Evidence-based HR refers to demonstrating that human resource practices have a

positive influence on the company’s bottom line or key stakeholders. HR departments

may resist becoming evidence-based in order to avoid comparing their performance to

other companies and avoid possible changes that may result from the system.

5. What types of workforce analytics would you collect and analyze to understand why an employer was experiencing a high turnover rate?

It could be helpful to collect employee engagement information obtained through employee surveys, in order to gather insights about how employees feel about the work they do, the training they receive, their pay and benefits, and the work conditions. Additionally, it may be helpful to collect information about workforce demographics and consider ways to analyze the composition of the workforce, and compare that composition with the types of HR practices maintained by the company. For example, if an employee population is comprised of younger workers, it may be to the company’s advantage to provide family-friendly benefits.

6. Which HR practices can benefit by the use of social collaboration tools such as Twitter and Facebook? Identity the HR practices and explain the benefits gained.

There are many different ways that social collaboration tools can be used to enhance HR practices. These practices could include using Twitter to provide updates about sales information, store locations, employee scheduling. Facebook can be used to provide information about training opportunities, and it can be used to help employees communicate with their own networks of friends, associates and family about employment opportunities in the organization.

7. Do you agree with the statement “Employee engagement is something companies

should be concerned about only if they are making money”? Explain.

Employee engagement is something companies should be concerned with regardless of

whether they are making money. Employees that are engaged in their work provide

their company with a competitive advantage; high levels of customer service and a

lower turnover rate.

8. This book covers four human resource management practice areas: managing the human resource environment, acquiring and preparing human resources, assessment and development of human resources, and compensating human resources. Which area do you believe contributes most to helping a company gain a competitive advantage? Which area do you believe contributes the least? Why?

Each student’s answer will vary to this question based on opinion. An example can be: Acquiring and preparing human resources is the most important HRM practice because well-trained employees are the most important aspect of a business. On the other hand, compensating human resources is not at all important because money is not what drives all employees. However, contradictory arguments can be made for each of these points as well.

9. What is the balanced scorecard? Identify the four perspectives included in the balanced scorecard. How can HRM practices influence the four perspectives?

The balanced scorecard gives managers an indication of the performance of a company based on the degree to which stakeholders’ needs are satisfied. This gives managers the opportunity to look at the company from the *perspective* of internal, external, employees, and shareholders. Communicating the scorecard to employees gives them a framework that helps them see the goals and strategies of the company, how these goals are measured, and how they influence the critical indicators.

10. Is HRM becoming more strategic? Explain your answer.

Technology is allowing the typical HRM to steer away from everyday tasks to focus more on the strategic side. Self-service, empowerment, and outsourcing are also increasing strategic roles. There is an increase in managers in charge of human resource function being included on high-level committees that are shaping the strategic direction of the company.

11. What is sustainability? How can it HR activities help a company become more socially and environmentally conscious?

Sustainability is the ability of a company to survive in a dynamic competitive environment. It is based on an approach to organizational decision making that considers the long-term impact of strategies on stakeholders. HR can help by championing, implementing and managing programs, including community volunteer programs, and raise employee awareness and encourage a spirit of social consciousness.

12. Explain the implications of each of the following labor force trends for HRM: (1) aging

workforce, (2) diverse workforce, (3) skill deficiencies.

The aging workforce means that employees will increasingly face issues such as career paltering, retirement planning, and retraining to avoid skill obsolescence. High healthcare costs will also be a struggle with the aging employees.

The diverse composition of the workforce challenges HRM to ensure that the talents and skills of all employees are fully utilized for the good of the organization. Immigration is an important factor contributing to the changing workforce. HRM need to be aware of the positive and negative aspects of immigration.

Projections show that the supply of entry-level labor will not have the education and skills to meet basic job demands. Individuals will have low reading, writing, and impersonal skills.

13. What role do HRM practices play in a business decision to expand internationally?

With opportunities opening up in many emerging markets, it is important that a company creates a multinational culture that is characteristic of the culture in which it operates in. Successful companies realize that the most important asset to a business is its employees. This translates into HRM playing a big role in international expansion.

14. What might a quality goal and high performance work systems have in common in terms of HRM practices?

In terms of HRM practices, a quality goal and high performance work system have a lot in common. Both require increased use of teams, empowering employees and changing employee roles and company structure. A quality goal is central to the high performance work systems.

15. What disadvantages might result from outsourcing HRM practices? From employee self

service? From increased manager involvement in designing and using HR practices?

The primary disadvantages of outsourcing HRM practices include the loss of strategic ties in the organization because someone else is handling the company’s HR practices. It also may have a potential negative impact on employee behavior and attitudes. The disadvantages of employee self-service include possible derailment of their careers. The possible disadvantage from increased managerial involvement might be too much structure and authoritative HR practices. It would also go against the quality and high performance work system principles.

16. What factors should a company consider before offshoring? What are the advantages and disadvantages of offshoring?

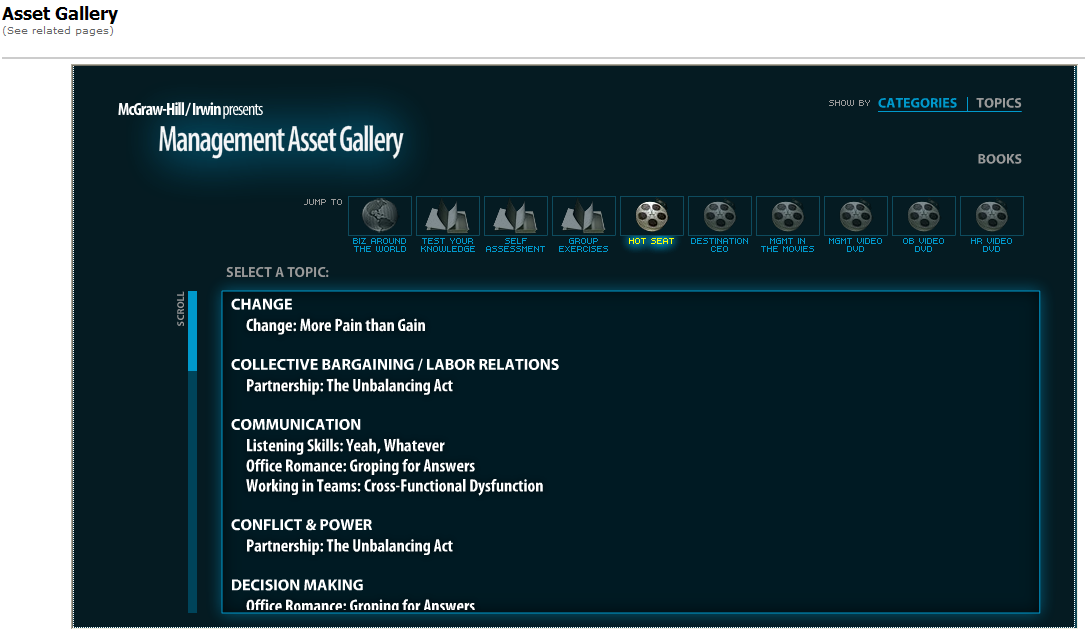
A company should consider a variety of issues, including interests of stakeholders, economic situations in potential offshoring locations, governmental implications offshoring, and the morale of employees.

Advantages of offshoring usually include higher profit levels due to lower labor costs and operational costs. Disadvantages include displaced local workers, low employee morale, and lower customer loyalty.

**Self-Assessment Exercise: Do You Have What It Takes To Work In HR?**

Refer to the self-assessment exercise in the text**.**

**Manager’s Hot Seat Exercise: Ethics: Let’s Make a 4th Quarter Deal-Please refer to the Asset Gallery on the OLC for Hot Seat videos and notes.**

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**I. Introduction**

This scenario provides a depiction of the ethical dilemmas that may arise when two legitimate organizational goals are in conflict: generating revenue and legal business practices. The manager in this situation is presented with a risky course of action that, if it worked, would have tremendous benefits for his company and department. Interpersonal communication styles and influence tactics are also demonstrated and provide a stimulus for discussion among students.

**II. Learning Objectives**

1. To analyze the causes of ethical dilemmas
2. To evaluate influence techniques and communication styles
3. To apply principles of ethical decision making

**III. Scenario Description:**

***Overview:***A Wall Street trading company, Smith/Blackwell, is coming to the end of their 4th Quarter. BesTel Inc. has offered to invest 4 million dollars with Smith/Blackwell which would not only save the department from lay-offs but would create year-end bonuses for the manager’s team, which in recent months has been plagued by very low morale. In order to process the investment before year’s end, some procedural steps would need to be ‘abbreviated/skipped/ignored’. The shareholders of BesTel will not meet until mid-January and therefore will not approve the investment until then. Therefore, Gina presents a situation in which she plans to side-step procedure to arrive at the advantageous outcome for the department and wants Jason’s support. While the Chairman of the Board, Jack, has assured Gina that the vote will pass and that he’s talked to the key shareholders personally, the truth is, he does not have the power to make this decision without the boards’ actual vote.

***Profile:***

* Jason Powell, Director of New Accounts, manages a team of 25 people. Held position for 4 years but in the past two years, investments have fallen by over 50% department-wide.
* Gina Travers, Assets Manager. Gina has been working in the financial industry for over nine years. She has been with Smith/Blackwell for four years and was hired by Powell. To date, for the year 2002, Gina has brought in 3.5 million dollars in investments.

***References:*** The references included in the DVD are:

* Concepts in Ethical Behavior (PPT 2-3)
* Source for Code of Ethics (PPT 2-5)
* Three Principles to Guide Ethical Conduct (PPT 2-9)
* Approaches to Social Responsibility (PPT 2-11)

***Back History:***As the economy worsens, the new accounts department is facing layoffs and downsizing. If the 4th Quarter numbers do not improve substantially, up to 50% of their department will be laid off and the year-end bonuses will be foregone for the entire department. The environment is stressed and morale is low.

***Scene Set-up:*** Travers makes an appointment with Powell to discuss some recent opportunities.

***Scene Location:*** Powell’s office.

***The Meeting - Summary***: Gina, the account representative approaches Jason with a “deal” from BesTel that will save the department and allow everyone to earn their bonuses for the year. Jason is reluctant to jump on board with this plan because the transaction would not be approved by the company’s shareholders in time for the 4th quarter.

Jason attempts to figure out a way to ensure that they “do things right” by getting the deal in writing and talking to Jack personally with Gina. Gina argues that following procedure is not going to work in this case and that sidestepping the rules will serve the greater good. She also suggests that taking risks is critical to success. The conversation escalates and Gina clearly becomes agitated and stressed. She threatens to go over Jason’s head, gives him an ultimatum, and tries to appeal to their long-time working relationship to influence Jason. Eventually, she storms out of the room leaving the situation unresolved.

***Afterthoughts – Summary:*** Jason did not think the meeting went well. He was concerned with Gina’s insistence on rushing to action without thoroughly thinking through the consequences. He noted that there is always tension between the salesperson and accounting/legal department’s roles in an organization. He suggested that he was playing the accounting role to ensure that they did not engage in an illegal deal.

***Dossier:*** The specific artifacts included in the DVD are:

1. Document outlining the “restructuring” of the New Accounts Department, should they not reach their financial goals for the 4th Quarter.
2. Gina’s notes on the financial impact the deal will have – if were to go through, and if it were not.
3. BesTel Chairmans’ voice-mail assuring Gina that “all systems are go” and that he’s counting on her to make this happen.

**IV. Discussion Questions:**

The *References* and related *Discussion Questions* may be found in PowerPoint slides 2-1 to 2-11 on the Instructor side of the text’s Website.

*Learning Objective #1:* *To* *analyze the causes of ethical dilemmas*

1. What is the source of this conflict and what role has the organization played to contribute to this dilemma? (PPT 2-2)

The account representative is very motivated to make this deal go through because the organization has tied her bonuses and salary increases to the dollar amount of investments she brings to the company. The manager also is rewarded if his department makes sales. On the other hand, he has the responsibility to protect the company’s assets and reputation by engaging in lawful business agreements. Thus, these competing goals set-up difficult ethical decisions for the manager and employees.

**⯑** 1. Why is Jason skeptical?

* + - * 1. Client isn’t reliable
        2. Gina isn’t reliable
        3. Deal seems fishy

Deal seems fishy - Jason is skeptical because the initial approach and information provided by Gina raises some red flags regarding the legality and appropriateness of pursuing this deal.

1. Which of the “Concepts in Ethical Behavior” are relevant to this scenario? Why? (PPT 2-2 & 2-3)

Most would be considered in this scenario, students’ answers will vary. Certainly Professional ethics would be a driving factor in this case because there are rules and procedures that individuals in this profession are bound to. Also, organizational stakeholders should be considered because if the company engages in an unlawful deal, the reputation and ultimate longevity of the company could be at risk – on the other hand some of the employees may lose their jobs if revenue doesn’t come in this quarter.

1. Organizations can effectively help their employees to behave and act ethically by creating and communicating a code of ethics. What factors in this scenario should be considered if you were to develop the code of ethics for Smith/Blackwell? See “Sources for Codes of Ethics” PPT 2-4 & 2-5.

Students should address each of the three aspects affecting the organization’s code of ethics and provide relevant examples based on the information provided in the case.

*Learning Objective #2: To evaluate influence techniques and communication styles*

1. Describe Gina’s initial approach with Jason. What influence tactic does she use initially? Was it successful? (PPT 2-6).

Initially, Gina relies on the common goals she and Jason share with regard to making their 4th quarter numbers to save the department from potential lay-offs. Her emotion and elation at the solution is an attempt to appeal to Jason emotionally so that he’ll gloss over the important details that may prevent the deal. Clearly, she was not successful as he began to examine the deal more closely.

**⯑** 2. Jason’s behavior demonstrates:

a. caution

b. distrust

c. nit-picking

Jason appears cautious because he is trying to understand the legitimacy of acting on the deal before the shareholders have voted.

1. How does Gina handle Jason’s hesitation to move forward on the deal? How does her reaction affect Jason? (PPT 2-6)

Gina gets flustered and does not use rational case to argue her point. She begins to get defensive and uses a “bull-dozer” approach to influencing Jason rather than a thoughtful, rational one. This causes Jason to become even more skeptical of the deal and becomes increasingly reluctant. He does effectively to stay calm and does not raise his voice.

**⯑** 3. Gina’s over-excited. Jason should:

1. Calm Gina
2. Acknowledge her point
3. Request written proposal

Jason may want to show Gina that he shares her goal of helping the employees of the department earn bonuses and keep their jobs. By agreeing with some aspect of her proposal he may decrease her defensiveness and show her that he’s willing to consider alternatives that do not jeopardize the organization.

Jason ends up requesting a written proposal which agitates Gina further because she doesn’t see how that will accomplish her goal.

1. Upon realizing the Jason will not easily sign-off on the deal, Gina attempts a variety of different influence techniques. Describe them and evaluate how effective and appropriate they were given the situation. (PPT 2-7)

Gina tries to threaten Jason by saying she will go over his head and make the deal happen with Jason’s boss. Depending on the culture of the organization, this may have a negative consequence for Gina because she is skipping organizational levels. In addition, senior management are likely to have the same reaction as Jason which, again, will have a negative effect on her reputation.

Gina also tries to appeal to Jason based on their friendship and says that she cares about him. After using a threat, this approach is quite ineffective because the sincerity on which this strategy relies is questionable.

**⯑** 5. How should Jason respond to a threat?

1. Ignore it
2. Reprimand Gina
3. Get to Ralph first

The threatening, or retribution, approach to influence is only appropriate under certain circumstances. For example, when the initiator has complete control, the issue is extremely important (e.g., safety), and the relationship is relatively unimportant. In this case, Gina is the subordinate (relatively less power) and the relationship with Jason is important. Therefore, her choice of this influence strategy is poor and proves to be ineffective. Jason should reprimand her and explain the inappropriateness of her comments.

*Learning Objective #3: To apply principles of ethical decision making*

1. Consider each of the principles to guide ethical conduct (PPT 2-9). Analyze this situation from both Gina’s and Jason’s perspectives using these principles. Which model did Gina rely on most heavily? Jason? (PPT 2-8)

Answers will vary. An argument could be made for any of the models. Gina’s comment about the “greater good” resembles the Utilitarian model. However, the negative consequence of the action could impact even more people than those who might enjoy positive consequences. Jason might argue the Moral Rights position in that not allowing the shareholders to vote before the deal is done violates their rights.

**⯑** 4. What are the risk factors?

1. Losing deal
2. Misleading shareholders
3. Making illegal deal

In terms of consequences for the company’s reputation and potential losses, making an illegal deal is a significant risk. Losing the deal would be unfortunate but is part of doing business. Misleading shareholders in and of itself may not have any direct consequences but one should consider the whether they will be uncomfortable in the long run with that decision (i.e., will you be able to sleep at night).

1. Review the “Approaches to Social Responsibility” (PPT 2-11). Which approach is most closely aligned with Gina’s behavior? Which approach most closely matches Jason’s? Explain your choices. (PPT 2-10)

Gina’s behavior seems to resemble the Obstructionist approach because she is not concerned with the legality of her actions. Jason is initially taking a defensive approach because he does not want to break the law. However, he demonstrates willingness to explore other options which matches the Accommodative approach.

**⯑** 6. What should Jason do next?

1. Let Gina make deal
2. Call Jack himself
3. Look for a new job

Jason can’t really let Gina make the deal without finding out more information. If he calls Jack himself, he may make the company look disorganized and may discredit Gina who Jack knows and likes. Looking for a new job may be long-term plan, but it won’t address the current issue.

Jason may want to let Gina cool down and then talk to her again. Perhaps thinking about alternative courses of action together may solve the problem. If the driving force behind her need to close this deal is revenue generation, perhaps there is another creative, yet legal, way to accomplish that goal. Or there may be a legitimate approach to this deal that they have not explored.

**Exercising Strategy**

**Zappos Faces Competitive Challenges**

**Questions**

1. What challenges are Zappos facing that may derail its attempt to be the best online retailer? How can human resource management practices help Zappos meet these challenges?

Student answers may vary, but could include a discussion of how competition in the retail industry could inhibit Zappos aspirations. The internet and online retailing have relatively low barriers to entry, so Zappos faces industry pressures. Human resource management practices that align with its strategic objectives to be the best online retailer include strategic staffing practices, and effective training and development of customer service employees.

2. Do you think that employees at Zappos have high levels of engagement? Why?

Student answers will vary. It is likely that employees are engaged, because of the creative ways that HRM interviews and selects them. Additionally, employees who do not seem to “fit” are weeded out during the initial training.

3. Which of Zappos ten core values do you believe that human resource practices can influence the most? The least? Why? For each of the core values identify the HR practices that are related to it. Explain how each of the HR practice(s) you identified is related to the core values.

Student answers will vary. Look for evidence that the students are able to connect the core values with HRM practices. For example, “Deliver WOW through customer service” can be influenced through training and development, as can “Pursue Growth and Learning.” The values such as “Build Open and Honest Relationships with Communication” and” Be Passionate and Determined” can be indirectly influenced by HRM through positive employee relations practices as well as strategic recruitment and selection practices.

**Managing People**

**Yahoo says “Nope” to Working at Home**

**Questions**

1. Do you think that companies should have a policy that allows all employees to work at home? Why or why not? How would you determine which jobs are best suited for working at home?

Given the propensity for younger workers to desire more opportunity to work remotely or on a modified work schedule, many students will say they do believe in this benefit. Most organizational practitioners are proponents of these types of opportunities. It is important for students to realize that not all positions are conducive to working in a remote location… Also important to point out the potential for abuses and the importance of retaining cultural connection.

2. What role can technology play in allowing employees to work at home? Do you believe that interaction using technology can replace interpersonal face-to-face interaction between employees or between employees and their manager?

Students will generally be familiar with technology that will facilitate these types of arrangements. Important issue here is the loss of potential for unplanned interaction with other employees.

1. What role should HR play in helping a company’s leaders decide if a work-at-home policy is appropriate? What kind of information should HR provide to help in the decision making?

HR should play an integral and leadership role in the decision concerning working at home. Things like productivity data, empirical evidence, cultural issues, etc. should all be considered.

**Additional Activities**

**Teaching Suggestions**

The use of outside or additional assignments early in the term provides an opportunity for students to illustrate for themselves how HRM is an impor­tant function within the organization. Following are several additional reading assignments, extra discussion questions for the "Competing through" boxes in the text, as well as a suggestion for an outside speaker. Getting students to provide examples of organizations that have effectively used HRM practices to help respond to competitive challenges sells them on the importance of the rest of the course!

**Activities**

1. This chapter contains references to many current issues in business and HRM. One assignment that could help students see the relevance of what they will be studying is to ask them to read The Wall Street Journal, Business Week, or other resources and to bring in an article that discusses any of the topics covered in the chapter. In groups or in class, they could share their example and discuss the implications. Alternatively, this could serve as a written assignment if they were asked to write a summary of the article and to point out the implications for HRM.
2. Assign students to read The Wall Street Journal article "Bob Stadler Has Lived All the Business Trends of the Past 50 Years," July 11, 1996, p. 1. Have students research recent related articles.

a. Ask them to discuss the changes in employee expectations regarding work.

1. How must employers respond to some of these changes?
2. If your class contains students with work experience, it might be useful to ask them what types of quality improvement programs they have seen in their companies and what type of employee reactions occurred when the programs were implemented.

3. Outside Speaker: In the first week or two of class, it is frequently useful to invite a CEO of a small firm or an HRM vice-president of a larger firm to talk with the class about the role of human resources in the success of the company. Very often, such speakers have good examples of how the knowledge of HRM has helped the company to deal effectively with competitive pressures and environmental change.

HRM Failures

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**Case 1: A Break in the Action**

Suppose you’d been on your feet for more than six hours, working on the job without a break for lunch or even so much as a quick cup of coffee. Wal-Mart employees in northern California had a similar experience: they were routinely missing their lunch break due to busy periods in the store.

According to a state law enacted in 2001, employees who work at least six hours are entitled to an unpaid 30-minute lunch break. According to company rules at the time, a worker who didn’t get a lunch break was entitled to an hour of “penalty pay”—twice the rate of the lunch break—to make up for the lost lunchtime. Employees were required to file a request for penalty pay.

But the Wal-Mart employees said it wasn’t a matter of applying for penalty pay. They sued their employer in a class action, and in 2005, a jury returned a verdict awarding $172 million in damages. The award covered about 116,000 Wal-Mart employees who worked from 2001 to 2005 and translated to about $1,000 per person.

Wal-Mart’s $172 million penalty represents a huge red flag to employers as they strive to create and manage their companies’ human resource policies. Policies that are not communicated or implemented carefully can become an opportunity for litigation among employees.

Wage-and-hour statutes vary widely from state to state. Laws in some states are outdated and have been on the books since the 1930s. Still, employers can improve their situation by:

* Crafting HR policies designed to comply with the laws in each state in which they have operations and stipulating meal breaks precisely
* Training managers and employees on the policies and encouraging their compliance
* Investing in a software system that documents compliance by tracking employees’ use of break time
* Conducting spot checks to see that policies are being followed and not violated

Regardless of the type of work they do, employees need breaks to renew and refresh themselves during the workday. By creating an environment in which employees take the breaks they’re entitled to, employers can help enhance workplace morale (and avoid costly lawsuits).

**Question**

Suppose you are an employer, and all of your employees have desk jobs. What can you do to ensure that they take their breaks?

**Possible answers**

* Include a policy regarding workday breaks in the company handbook.
* Train managers to enforce the policy, and during orientation, emphasize the importance of taking meal breaks during the workday.
* If it looked as if eating at desks could became a problem, consider discouraging this in the handbook while also providing an attractive lunchroom on the premises, or sponsoring a series of informative “brown-bag lunch” talks on various topics during the lunch hour.

Case: *Savaglio v. Wal-Mart Stores, Inc.,* 149 Cal. App. 4th 588, 602 1st Dist 2007*,* C-835687.

Source: Patrick J. Kiger, “Give ‘Em a Break…or Get Sued,” *Workforce Management,* September 8, 2008, <http://www.workforce.com>.